Q1
2009

Quarterly Report to Shareholders

George Weston Limited

12 Weeks Ended March 28, 2009

Weston

FORWARD-LOOKING STATEMENTS

This Quarterly Report for George Weston Limited ("GWL") and its subsidiaries (collectively, the "Company"), including this Management's Discussion and Analysis ("MD&A"), contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, liquidity, obligations, 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 including the rate of inflation; 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; risks associated with product defects, food safety and product handling; 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 GWL and Loblaw Companies Limited ("Loblaw") common shares; changes in the Company's tax liabilities resulting from changes in tax laws or future assessments; detrimental reliance on the performance of third-party service providers; public health events; the inability of the Company to obtain external financing; 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 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 Enterprise Risks and Risk Management section of the MD&A included in GWL's 2008 Annual Report. These forward-looking statements contained herein and in particular in the Report to Shareholders and MD&A 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 MD&A. 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.

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Report to Shareholders[2]

The first quarter of 2009 was an exciting and historic quarter for George Weston Limited, with the sale of the fresh bread and baked goods business in the United States ("U.S. fresh bakery business") resulting in a considerable gain for the Company. This transaction, together with the sale of our Canadian dairy and bottling operations in the fourth quarter of 2008, means that the Company is in a very strong position from a financial liquidity perspective – an enviable position in uncertain economic times.

Loblaw remains on track and is continuing to focus on store enhancements, product innovation, infrastructure improvements, customer value and improving its food offering. Weston Foods brand and product development efforts continue, while its continuing focus on plant and distribution optimization along with other ongoing cost reduction initiatives continue to ensure a low cost operating structure.

The sale of Weston Foods' U.S. fresh bakery business to Grupo Bimbo, S.A.B. de C.V. for gross and net proceeds of approximately USD $2.5 billion, including approximately USD $125 million for interest bearing assets, closed on January 21, 2009. The sale resulted in a gain of $1.0 billion before the reversal of the associated cumulative foreign currency translation loss. The reversal of this cumulative foreign currency translation loss, which was previously reflected in accumulated other comprehensive loss, reduced the gain by $110 million for a net gain on the sale of $921 million ($883 million after income taxes). The gain is subject to normal post closing working capital and other adjustments, which are expected to be finalized in the second quarter of 2009. The results of the U.S. fresh bakery business up to the date of sale and the gain on the sale 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 U.S. fresh bakery business.

The results of Weston Foods' dairy and bottling operations, which were sold on December 1, 2008, are not reported as discontinued operations due to 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, are included in net earnings from continuing operations in the comparative period and are included in the discussion of continuing operating results below.

CONSOLIDATED RESULTS OF OPERATIONS

(unaudited) ($ millions except where otherwise indicated)	12 Weeks Ended **Mar. 28, 2009**	Mar. 22, 2008	Change
Sales	**$ 7,022**	$ 6,835	2.7%
Operating income	**$ 101**	$ 195	(48.2)%
Operating margin	**1.4%**	2.9%	
Interest expense and other financing charges	**$ 37**	$ 24	54.2%
Net (loss) earnings from continuing operations	**$ (27)**	$ 84	(132.1)%
Net earnings	**$ 863**	$ 131	558.8%
Basic net (loss) earnings per common share from continuing operations ($)	**$ (0.28)**	$ 0.55	(150.9)%
Basic net earnings per common share ($)	**$ 6.61**	$ 0.91	626.4%
EBITDA[1]	**$ 245**	$ 338	(27.5)%
EBITDA margin[1]	**3.5%**	4.9%	
Net debt (excluding Exchangeable Debentures)[1]	**$ 491**	$ 4,697	(89.5)%

Net earnings for the first quarter of 2009 were $863 million, compared to $131 million in 2008. The increase was primarily attributable to the net gain of $921 million on the sale of the U.S. fresh bakery business. Basic net earnings per common share of $6.61 compared to $0.91 for the same period in 2008.

Net loss from continuing operations for the first quarter of 2009 was $27 million, compared to net earnings from continuing operations of $84 million in 2008, and basic net loss per common share from continuing operations

(1) See non-GAAP financial measures on page 18.
(2) To be read in conjunction with "Forward-Looking Statements".

of $0.28 compared to basic net earnings per common share from continuing operations of $0.55 for the same period in 2008.

Sales in the first quarter of 2009 were $7.0 billion compared to $6.8 billion for the same period in 2008, an increase of 2.7%. The impact of foreign currency translation on the Weston Foods operating segment positively impacted consolidated sales growth by approximately 0.6% for the first quarter of 2009.

Operating income for the first quarter of 2009 was $101 million compared to $195 million in the same period in 2008, a decrease of 48.2%. Consolidated operating margin of 1.4% for the first quarter decreased compared to 2.9% for the same period in 2008. Year-over-year changes in the following items together with additional factors outlined in the MD&A influenced the Company's operating income in the first quarter of 2009 compared to the same period in 2008:

- a charge of $34 million (2008 – nil) related to the reversal of the cumulative foreign currency translation loss associated with Dunedin Holdings S.à r.l. ("Dunedin"), a subsidiary of GWL, and certain of its affiliates. The effect on basic net earnings per common share from continuing operations was a charge of $0.26 (2008 – nil);

- a charge of $62 million (2008 – nil) related to foreign exchange losses associated with the Company's (excluding Loblaw's) USD denominated cash and short term investments held in integrated foreign subsidiaries. The effect on basic net earnings per common share from continuing operations was a charge of $0.41 (2008 – nil);

- a charge of $73 million (2008 – nil) related to the non-cash goodwill impairment in Weston Foods' biscuits, cookies, cones and wafers business. The effect on basic net earnings per common share from continuing operations was a charge of $0.38 (2008 – nil);

- a charge of $23 million (2008 – $38 million) related to the effect of stock-based compensation net of equity derivatives of both GWL and Loblaw. The effect on basic net earnings per common share from continuing operations was a charge of $0.12 (2008 – $0.21);

- income of $9 million (2008 – $11 million) related to the commodity derivatives fair value adjustment at Weston Foods. The effect on basic net earnings per common share from continuing operations was income of $0.05 (2008 –$0.06); and

- nil (2008 – income of $12 million) related to the income of Weston Foods' dairy and bottling operations. The effect on basic net earnings per common share from continuing operations was nil (2008 – income of $0.06).

After the sale of the U.S. fresh bakery business on January 21, 2009, Dunedin and certain of its affiliates became "integrated" foreign subsidiaries for accounting purposes. On the date of the sale, the cumulative foreign currency translation loss of $34 million associated with Dunedin and certain of its affiliates, which was previously reflected in accumulated other comprehensive loss, was reversed into operating income. Subsequent to January 21, 2009, gains and losses arising from the translation of the USD denominated assets of these integrated foreign subsidiaries will be included in net earnings. As a result, operating income for the first quarter of 2009 included $62 million of foreign exchange losses associated with the Company's (excluding Loblaw's) USD denominated cash and short term investments held in integrated foreign subsidiaries.

Excluding the impact of the specific items noted above, operating income in the first quarter of 2009 was strong compared to the same period in 2008. The Weston Foods operating segment experienced increases in costs related to certain ingredients, primarily flour and oils, and other input items as compared to the first quarter of 2008. However, a combination of the pricing actions implemented in 2008 and cost reduction initiatives resulted in positive operating income growth in the first quarter. First quarter results at Loblaw benefited from its focus on cost reduction including initiatives to reduce shrink, buying synergies and more disciplined vendor management, as well as sales mix, successful promotional campaigns and inflation. The positive impact of these factors was partially offset by incremental investment in information technology and supply chain.

Interest expense and other financing charges for the first quarter of 2009 increased 54.2% to $37 million from $24 million in 2008, primarily due to decreased non-cash income related to the accounting for GWL's forward sale agreement of 9.6 million Loblaw common shares of $40 million (2008 – $51 million), which resulted in a basic net earnings per common share non-cash income of $0.23 (2008 – $0.29).

The effective income tax rate increased to 84.4% in the first quarter of 2009 compared to 36.8% in the first quarter of 2008**.** The increase was mainly the result of the non-deductible reversal of the cumulative foreign currency translation loss associated with Dunedin and certain of its affiliates, and the foreign exchange gains and losses associated with the Company's (excluding Loblaw's) USD denominated cash and short term investments. The effective income tax rate before the impact of these charges decreased to 36.5% in the first quarter of 2009 from 36.8% in the first quarter of 2008.

Net Debt (excluding Exchangeable Debentures)[(1)]

The Company's net debt (excluding Exchangeable Debentures)[(1)] at March 28, 2009 was $491 million compared to $4,697 million at March 22, 2008. Of the $4,206 million reduction, the proceeds from the sale of the U.S. fresh bakery business accounted for $3,092 million, the proceeds from the sale of Weston Foods' dairy and bottling operations in the fourth quarter of 2008 accounted for $467 million, the proceeds from the issuance of preferred shares by Loblaw in the third quarter of 2008 accounted for $218 million and all other factors, including foreign exchange, accounted for $429 million.

OPERATING SEGMENTS

Weston Foods

Weston Foods sales for the first quarter of 2009 of $437 million decreased 14.5% compared to the first quarter of 2008. The sale of the dairy and bottling operations in the fourth quarter of 2008 and the timing of Easter negatively impacted sales growth by approximately 28.5% and 0.7%, respectively, while foreign currency translation positively impacted sales growth by approximately 8.2%. The combined effect of price increases across key product categories in 2008 and changes in sales mix was a positive impact of 6.3% for the first quarter of 2009. Volume declined 43.3% for the first quarter of 2009 when compared to the same period in 2008, of which 42.9% was due to the sale of the dairy and bottling operations and 0.6% was due to the timing of Easter.

Weston Foods operating loss for the first quarter of 2009 was $27 million compared to income of $41 million in the same period in 2008. Weston Foods operating margin for the first quarter was negative 6.2% compared to positive 8.0% in the same period in 2008. Excluding the impact of the goodwill impairment charge related to the biscuits, cookies, cones and wafers business, the effect of stock-based compensation net of equity derivatives, the commodity derivatives fair value adjustment, and the income of Weston Foods' dairy and bottling operations, all of which are more fully described in the MD&A, Weston Foods operating income growth was strong. Operating income was positively impacted by sales growth primarily due to the combined effect of price increases implemented in 2008 and changes in sales mix, and the benefits realized from the continued focus on cost reduction initiatives. Pricing and other actions mitigated the impact of inflationary cost pressures related to certain ingredients, primarily flour and oils, and other input costs.

Loblaw

Loblaw sales for the first quarter of 2009 increased 2.9% or $191 million to $6.7 billion compared to the first quarter of 2008. Same-store sales in the quarter increased by 2.1%. Sales and same-store sales growth in the first quarter of 2009 were negatively impacted by approximately 0.8% due to the shift in Easter holiday sales into the second quarter of 2009, by approximately 0.7% due to a strike in certain *Maxi* stores in Quebec, and positively impacted by approximately 0.4% due to an additional selling day in the first week of 2009 due to New Year's Day occurring in the fourth quarter of 2008. In addition, sales growth was negatively impacted by 0.5% due to the sale of Loblaw's food service business in the fourth quarter of 2008. Sales growth in both food and drugstore were strong in the quarter. Apparel sales growth was moderate while other general merchandise sales growth declined significantly. Gas bar sales declined in the first quarter as a result of lower retail gas prices, despite moderate volume growth.

(1) See non-GAAP financial measures on page 18.

Loblaw operating income for the first quarter of 2009 was $224 million compared to $154 million in the same period in 2008, an increase of 45.5%. Loblaw operating margin was 3.3% for the first quarter compared to 2.4% in the same period in 2008. Operating income and operating margin were positively influenced by Loblaw's focus on cost reduction including initiatives to reduce shrink, buying synergies, and more disciplined vendor management, as well as sales mix, successful promotional campaigns and inflation. The positive impact of these factors was partially offset by incremental investment in information technology and supply chain. Loblaw operating income was also positively impacted by lower net stock-based compensation costs. Loblaw experienced slightly higher store labour costs in the first quarter of 2009 compared to the first quarter of 2008 as a result of wage inflation and ongoing investments in service.

OUTLOOK(1)

The consolidated results of George Weston Limited for the remainder of 2009 will continue to reflect the performance of both the Weston Foods and Loblaw operating businesses. With the divestitures of the dairy business in 2008 and the U.S. fresh bakery business in January 2009, the Company has significant holdings of cash and 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 U.S. foreign exchange currency fluctuations. The Company is continuing to assess its strategic options for the deployment of the proceeds from these divestitures.

Despite challenging market conditions, the remaining Weston Foods operating businesses are expected to deliver satisfactory operating performance for the remainder of 2009. However, it is difficult to predict the impact on reported earnings of mark to market adjustments resulting from volatility in commodity markets, changes in the effect of stock-based compensation net of equity derivatives and the other items noted above under Consolidated Results of Operations. Weston Foods will continue its efforts to satisfy consumer and customer needs, manage product mix, improve productivity and reduce costs in an uncertain economic environment.

Loblaw is focused on continuing to embed consistent execution across the business while undertaking aggressive store renovation and infrastructure programs. Loblaw remains cautious and prepared for continuing challenges throughout 2009 as inflation could unwind and economic conditions remain volatile.

[signed]

W. Galen Weston
Chairman and President

Toronto, Canada
May 11, 2009

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

The following MD&A for George Weston Limited should be read in conjunction with the Company's 2009 unaudited interim period consolidated financial statements and the accompanying notes on pages 20 to 36 of this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2008 and the related annual MD&A included in the Company's 2008 Annual Report. The Company's 2009 unaudited interim period consolidated financial statements and the accompanying notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars. These unaudited interim period consolidated financial statements include the accounts of George Weston Limited and its subsidiaries and variable interest entities ("VIEs") that the Company is required to consolidate in accordance with Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG 15"). A glossary of terms and ratios used throughout this Quarterly Report can be found beginning on page 110 of the Company's 2008 Annual Report. In addition, this Quarterly Report includes the following terms: "rolling year return on average net assets[(1)]", which is defined as cumulative operating income for the latest four quarters divided by average net assets[(1)]; and "rolling year return on average common shareholders' equity", which is defined as cumulative net earnings available to common shareholders for the latest four quarters divided by average total common shareholders' equity.

The information in this MD&A is current to May 11, 2009, unless otherwise noted.

CONSOLIDATED RESULTS OF OPERATIONS

The sale of Weston Foods' U.S. fresh bakery business to Grupo Bimbo, S.A.B. de C.V. for gross and net proceeds of approximately USD $2.5 billion, including approximately USD $125 million for interest bearing assets, closed on January 21, 2009. The sale resulted in a gain of $1.0 billion before the reversal of the associated cumulative foreign currency translation loss. The reversal of this cumulative foreign currency translation loss, which was previously reflected in accumulated other comprehensive loss, reduced the gain by $110 million for a net gain on the sale of $921 million ($883 million after income taxes). The gain is subject to normal post closing working capital and other adjustments, which are expected to be finalized in the second quarter of 2009. The results of the U.S. fresh bakery business up to the date of sale and the gain on the sale 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 U.S. fresh bakery business.

The results of Weston Foods' dairy and bottling operations, which were sold on December 1, 2008, are not reported as discontinued operations due to 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, are included in net earnings from continuing operations in the comparative period and are included in the discussion of continuing operating results below.

Sales Sales for the first quarter of 2009 increased 2.7%, or $187 million, to $7.0 billion from $6.8 billion in the first quarter of 2008. The impact of foreign currency translation on the Weston Foods operating segment positively impacted consolidated sales growth by approximately 0.6% for the first quarter of 2009. When compared to the same period last year, the Company's consolidated sales for the first quarter of 2009 were impacted by each of its reportable operating segments as follows:

- Negatively by 1.1% as a result of a sales decrease of 14.5% at Weston Foods. The sale of the dairy and bottling operations in the fourth quarter of 2008 and the timing of Easter negatively impacted sales growth by approximately 28.5% and 0.7%, respectively, while foreign currency translation positively impacted sales growth by approximately 8.2%. The combined effect of price increases across key product categories and changes in sales mix was a positive impact of 6.3% for the first quarter of 2009. Volume declined 43.3% for the first quarter of 2009 when compared to the same period in 2008, of which 42.9% was due to the sale of the dairy and bottling operations and 0.6% was due to the timing of Easter.

- Positively by 2.8% due to sales growth of 2.9% at Loblaw. Same-store sales in the quarter increased by 2.1%. Sales and same-store sales growth in the first quarter of 2009 were negatively impacted by approximately 0.8% due to the shift in Easter holiday sales into the second quarter of 2009, by approximately 0.7% due to a strike in certain *Maxi* stores in Quebec, and positively impacted by approximately 0.4% due to an additional selling day in the first week of 2009 due to New Year's Day occurring in the fourth quarter of 2008. In addition, sales growth was negatively impacted by 0.5% due to the sale of Loblaw's food service business in the fourth quarter of 2008. Sales growth in both food and

(1) See non-GAAP financial measures on page 18.

drugstore were strong in the quarter. Apparel sales growth was moderate while other general merchandise sales growth declined significantly due to reductions in discretionary consumer spending, the timing of Easter and reductions in assortment and square footage. Gas bar sales declined in the first quarter as a result of lower retail gas prices, despite moderate volume growth.

Operating Income Operating income for the first quarter of 2009 was $101 million compared to $195 million in the first quarter of 2008, a decrease of 48.2%. Consolidated operating margin of 1.4% for the first quarter of 2009 decreased compared to 2.9% for the same period in 2008. When compared to the same period last year, the Company's change in operating income for the first quarter 2009 was impacted negatively by 34.9% due to a decrease in operating income at Weston Foods, primarily due to the non-cash goodwill impairment charge noted below, and positively by 35.9% due to an increase in operating income at Loblaw. In addition, the reversal of the cumulative foreign currency translation loss associated with Dunedin and certain of its affiliates, and the foreign exchange losses associated with the Company's (excluding Loblaw's) USD denominated cash and short term investments held in integrated foreign subsidiaries negatively impacted operating income by 49.2%.

The year-over-year change in the following items influenced operating income for the first quarter of 2009 compared to the first quarter of 2008:

- a charge of $34 million (2008 – nil) related to the reversal of the cumulative foreign currency translation loss associated with Dunedin and certain of its affiliates;
- a charge of $62 million (2008 – nil) related to foreign exchange losses associated with the Company's (excluding Loblaw's) USD denominated cash and short term investments held in integrated foreign subsidiaries;
- a charge of $73 million (2008 – nil) related to the non-cash goodwill impairment in Weston Foods' biscuits, cookies, cones and wafers business;
- a charge of $23 million (2008 – $38 million) related to the effect of stock-based compensation net of equity derivatives of both GWL and Loblaw. The amount of net stock-based compensation cost recorded in operating income is mainly dependent upon the number of unexercised, vested stock options and restricted share units relative to the number of underlying common shares on the equity derivatives and the level of and the change in the market prices of the underlying common shares;
- income of $9 million (2008 – $11 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; and
- nil (2008 – income of $12 million) related to the income of Weston Foods' dairy and bottling operations.

After the sale of the U.S. fresh bakery business on January 21, 2009, Dunedin and certain of its affiliates became "integrated" foreign subsidiaries for accounting purposes. On the date of the sale, the cumulative foreign currency translation loss of $34 million associated with Dunedin and its affiliates, which was previously reflected in accumulated other comprehensive loss, was reversed into operating income. Subsequent to January 21, 2009, gains and losses arising from the translation of the USD denominated assets of integrated foreign subsidiaries will be included in net earnings. As a result, operating income for the first quarter of 2009 included $62 million of foreign exchange losses associated with the Company's (excluding Loblaw's) USD denominated cash and short term investments held in integrated foreign subsidiaries. Included in this amount was a $48 million charge related to the conversion of USD $2.4 billion of cash and short term investments to approximately $3.0 billion Canadian dollars following the closing of the U.S. fresh bakery business sale transaction. This loss was a result of the strengthening of the Canadian dollar relative to the U.S. dollar between the closing date of the sale and the dates on which the proceeds were converted to Canadian dollars.

Excluding the impact of these items, operating income for the first quarter of 2009 was strong compared to the first quarter of 2008.

EBITDA(1) decreased by $93 million, or 27.5%, to $245 million in the first quarter of 2009 compared to $338 million in the first quarter of 2008. EBITDA margin(1) for the first quarter decreased to 3.5% from 4.9% in 2008, negatively impacted by lower EBITDA margins(1) at Weston Foods and the negative impact of foreign exchange losses on the Company's (excluding Loblaw's) USD denominated cash and short term investments held in integrated foreign subsidiaries, and partially offset by higher EBITDA margins(1) at Loblaw.

(1) See non-GAAP financial measures on page 18.

Interest Expense and Other Financing Charges Interest expense and other financing charges for the first quarter of 2009 increased by $13 million, or 54.2%, to $37 million from $24 million in the first quarter of 2008. The change was mainly the result of non-cash income of $40 million compared to income of $51 million in 2008 that was recorded in other financing charges, related to the fair value adjustment of GWL's forward sale agreement for 9.6 million Loblaw common shares. The fair value adjustment of the forward sale is a non-cash item resulting from fluctuations in the market price of the underlying Loblaw common shares that GWL owns. GWL does not record any change in the market price associated with the Loblaw common shares it owns. Any cash payable under the forward contract could be offset by the sale of the Loblaw common shares.

Income Taxes The effective income tax rate increased to 84.4% in the first quarter of 2009 compared to 36.8% in the first quarter of 2008. The increase was mainly the result of the non-deductible reversal of the cumulative foreign currency translation loss associated with Dunedin and certain of its affiliates, and the foreign exchange gains and losses associated with the Company's (excluding Loblaw's) USD denominated cash and short term investments. The effective income tax rate before the impact of these charges decreased to 36.5% in the first quarter of 2009 from 36.8% in the first quarter of 2008.

Net (Loss) Earnings from Continuing Operations Net loss from continuing operations for the first quarter of 2009 was $27 million compared to net earnings from continuing operations of $84 million in 2008. Basic net loss per common share from continuing operations for the first quarter of 2009 was $0.28, a decrease of $0.83 from basic net earnings per common share from continuing operations of $0.55 in 2008.

Basic net loss per common share from continuing operations was affected in the first quarter of 2009 compared to basic net earnings per common share from continuing operations in the first quarter of 2008 by the following factors:

- a $0.26 per common share charge (2008 – nil) related to the reversal of the cumulative foreign currency translation loss associated with Dunedin and certain of its affiliates;
- a $0.41 per common share charge (2008 – nil) related to foreign exchange losses associated with the Company's (excluding Loblaw's) USD denominated cash and short term investments held in integrated foreign subsidiaries;
- a $0.38 per common share charge (2008 – nil) related to the non-cash goodwill impairment in Weston Foods' biscuits, cookies, cones and wafers business;
- a $0.12 per common share charge (2008 – $0.21) related to the effect of stock-based compensation net of equity derivatives of both GWL and Loblaw;
- $0.05 per common share income (2008 – $0.06) related to the commodity derivatives fair value adjustment at Weston Foods;
- $0.23 per common share non-cash income (2008 – $0.29) related to the accounting for GWL's forward sale agreement for 9.6 million Loblaw common shares;
- nil per common share (2008 – $0.05 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 GWL 3% Exchangeable Debentures; and
- nil per common share (2008 – $0.06 per common share income) related to the income of Weston Foods' dairy and bottling operations.

Discontinued Operations Net earnings from discontinued operations for the first quarter of 2009 were $890 million compared to $47 million in the same period in 2008. Included in discontinued operations for the first quarter of 2009 was a $921 million gain on the sale of the U.S. fresh bakery business, which includes the reversal of $110 million of the cumulative foreign currency translation loss previously reflected in accumulated other comprehensive loss associated with the U.S. fresh bakery business.

Net Earnings Net earnings for the first quarter of 2009 of $863 million increased $732 million compared to net earnings of $131 million in the same period in 2008. Basic net earnings per common share for the first quarter of 2009 of $6.61 increased $5.70 compared to basic net earnings per common share of $0.91 in 2008, including earnings from discontinued operations per common share of $6.89 compared to $0.36 in the same period in 2008.

REPORTABLE OPERATING SEGMENTS
Weston Foods

Sales Weston Foods sales for the first quarter of 2009 of $437 million decreased 14.5% compared to the same period in 2008. The sale of the dairy and bottling operations in the fourth quarter of 2008 and the timing of Easter negatively impacted sales growth by approximately 28.5% and 0.7%, respectively, while foreign currency translation positively impacted sales growth by approximately 8.2%. The combined effect of price increases across key product categories and changes in sales mix was a positive impact of 6.3% for the first quarter of 2009. Volume declined 43.3% for the first quarter of 2009 compared to the same period in 2008, of which 42.9% was due to the sale of the dairy and bottling operations and 0.6% was due to the timing of Easter.

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

Fresh bakery sales increased approximately 6.5% in the first quarter of 2009 compared to the same period in 2008, driven by price increases in key product categories combined with changes in sales mix. Volume decreased in the first quarter of 2009 mainly due to the timing of the Easter holiday, with declines in certain categories partially offset by growth led by the *D'Italiano* brand and private label products. Sales growth in whole grain and whole wheat products exceeded the sales growth of white flour based products. The introduction of new products such as *D'Italiano Thintini* and *Country Harvest Vitality,* contributed positively to branded sales during the first quarter of 2009.

Frozen bakery sales increased approximately 6.0% in the first quarter of 2009 compared to the same period in 2008, driven by price increases combined with changes in sales mix. Volumes for the quarter decreased slightly, including the negative impact of the timing of sales related to the Easter holiday.

Biscuit sales, principally wafers, ice-cream cones, cookies and crackers, increased approximately 3.5% in the first quarter of 2009 compared to the same period in 2008. Overall volume growth was flat with growth in certain categories being offset by declines in Girl Scout cookies.

Operating Income Weston Foods operating loss was $27 million in the first quarter of 2009 compared to income of $41 million in the same period in 2008. Operating margin was negative 6.2% for the first quarter of 2009 compared to positive 8.0% in 2008.

The year-over-year change in the following items influenced operating income for the first quarter of 2009 compared to the first quarter of 2008:

- a charge of $73 million (2008 – nil) related to the non-cash goodwill impairment in Weston Foods' biscuits, cookies, cones and wafers business;
- a charge of $4 million (2008 – $13 million) related to the effect of stock-based compensation net of equity derivatives;
- income of $9 million (2008 – $11 million) related to the commodity derivatives fair value adjustment; and
- nil (2008 – income of $12 million) related to the income of Weston Foods' dairy and bottling operations.

Subsequent to the disposition of the U.S. fresh bakery business on January 21, 2009, Weston Foods reorganized its remaining operations. The reorganization changed the composition of Weston Foods' reporting units for the purpose of goodwill impairment testing. As a result of this change, the goodwill related to the biscuits, cookies, cones and wafers business was determined to be impaired and a write-down of $73 million was recorded in the first quarter of 2009.

Weston Foods is exposed to commodity 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 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 (loss) income. Weston Foods recorded income of $9 million (2008 – $11 million) during the first quarter of 2009, 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.

During the fourth quarter of 2008, the Company sold the net assets of its dairy and bottling operations. The results of the dairy and bottling operations are not reported as discontinued operations due to 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 are included in net earnings from continuing operations for 2008. During the first quarter of 2008, the dairy bottling operations generated $139 million of sales, operating income of $12 million and earnings before interest, income taxes, depreciation and amortization of $13 million for Weston Foods.

Excluding the specific items described above, operating income in the first quarter of 2009 was strong compared to the same period of 2008, positively impacted by sales growth primarily due to the combined effect of price increases implemented in 2008 and changes in sales mix, and the benefits realized from the continued focus on cost reduction initiatives.

Gross margin increased in the first quarter of 2009 compared to the same period of 2008, mainly as a result of the sale of the dairy and bottling operations. Excluding the results of the dairy and bottling operations in 2008, gross margin decreased due to the impact of inflationary cost pressures related to certain ingredients, primarily flour, oils and other input costs, which were partially offset by pricing and other actions.

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, and restructuring activities related to these initiatives are ongoing. In the first quarter of 2009, a charge of $2 million (2008 – nil) was recognized in operating income related to these restructuring activities.

EBITDA[(1)] decreased by $69 million to negative $15 million in the first quarter of 2009 compared to $54 million in the first quarter of 2008, mainly due to the goodwill impairment charge. EBITDA margin[(1)] decreased in the first quarter of 2009 to negative 3.4% from positive 10.6% in 2008.

Loblaw

Sales Sales for the first quarter increased by 2.9% to $6.7 billion compared to $6.5 billion in the first quarter of 2008.

The following factors explain the major components in the change in sales for the first quarter of 2009 compared to the same period in 2008:

- same-store sales growth of 2.1%;
- a shift in Easter holiday sales into the second quarter of 2009 resulted in lower sales and same-store sales growth of approximately 0.8% during the first quarter;
- an additional selling day in the first week of 2009 due to New Year's Day occurring in the fourth quarter of 2008 resulted in higher sales and same-store sales growth of approximately 0.4%;
- sales and same-store sales growth were negatively impacted by 0.7% due to a strike in certain *Maxi* stores in Quebec. These stores reopened during the quarter except two stores that closed permanently;
- sales growth was negatively impacted by 0.5% due to the sale of Loblaw's food service business in the fourth quarter of 2008;
- sales growth in both food and drugstore was strong;
- apparel sales growth was moderate while other general merchandise sales growth declined significantly due to reductions in discretionary consumer spending, the timing of Easter and reductions in assortment and square footage;
- gas bar sales declined as a result of lower retail gas prices, despite moderate volume growth;
- internal retail food price inflation was below the national food price inflation of 9.0% as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI") and lower than the fourth quarter of 2008. In the first quarter of 2008, Loblaw experienced internal retail food price deflation. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores; and

(1) See non-GAAP financial measures on page 18.

- during the first quarter of 2009, net retail square footage remained flat despite the opening of 3 new corporate and franchised stores and the closure of 8 corporate and franchised stores. During the latest four quarters 34 new corporate and franchised stores were opened, including stores that underwent conversions and major expansions, and 40 corporate and franchised stores were closed, resulting in a net increase of 0.1 million square feet or 0.3%.

Operating Income Operating income was $224 million for the first quarter of 2009 compared to $154 million in the same period of 2008, an increase of 45.5%. Operating margin was 3.3% for the first quarter of 2009 compared to 2.4% in 2008.

Gross profit increased by $124 million to $1,614 million in the first quarter of 2009 compared to $1,490 million in 2008. Gross profit as a percentage of sales was 24.0% in the first quarter of 2009 compared to 22.8% in 2008. The increase in gross profit and gross profit as a percentage of sales was due to Loblaw's focus on cost reduction including initiatives to reduce shrink, buying synergies, and more disciplined vendor management. Sales mix, successful promotional campaigns and inflation also attributed to the improvements.

Partially offsetting the improvement in gross profit were costs of $23 million related to Loblaw's incremental investment in information technology and supply chain. Operating income for the first quarter of 2009 was also influenced by a charge of $19 million (2008 − $25 million) related to the effect of stock-based compensation net of equity forwards.

Loblaw experienced slightly higher store labour costs in the first quarter of 2009 as a result of wage inflation and ongoing investments in service.

EBITDA(1) increased by $72 million, or 25.4%, to $356 million in the first quarter of 2009 compared to $284 million in the first quarter of 2008. EBITDA margin(1) increased in the first quarter of 2009 to 5.3% from 4.4% in the comparable period of 2008. The increases in EBITDA(1) and EBITDA margin(1) were due to higher sales, the improvement in gross profit, lower net stock-based compensation costs and were partially offset by the incremental investment in information technology and supply chain.

CONSOLIDATED FINANCIAL CONDITION

Financial Ratios The Company's net debt (excluding Exchangeable Debentures)(1) to equity ratio at the end of the first quarter of 2009 was 0.07:1 compared to 0.92:1 at the end of the same period in 2008 and to 0.53:1 at year end 2008. Equity for the purpose of calculating the net debt (excluding Exchangeable Debentures)(1) to equity ratio is defined by the Company as capital securities and shareholders' equity. The improvement in this ratio at the end of the first quarter of 2009 compared to the end of the first quarter of 2008 and year end 2008 was primarily due to the reduction in net debt, driven by proceeds from the sale of Weston Foods' U.S. fresh bakery business, and an increase in equity resulting mainly from the gain on the sale of the U.S. fresh bakery business. In addition, this ratio was positively impacted when compared to the first quarter of 2008 by a decrease in short term borrowings, funded by the proceeds from the sale of Weston Foods' dairy and bottling operations in the fourth quarter of 2008.

The interest coverage ratio in the first quarter of 2009 decreased to 2.4 times compared to 6.7 times in the first quarter of 2008, primarily due to lower operating income and higher interest expense and other financing charges. The increase in interest expense and other financing charges resulted mainly from the fair value adjustment of GWL's forward sale agreement for 9.6 million Loblaw common shares, which negatively impacted the change in the first quarter 2009 interest coverage ratio by approximately 3.1 times when compared to the first quarter of 2008.

The Company's rolling year return on average net assets(1) at the end of the first quarter of 2009 was 10.0% compared to 8.2% in the comparable period of 2008 and 11.2% at year end 2008. The Company's rolling year return on average common shareholders' equity was 9.7% at the end of the first quarter of 2009 compared to 8.4% at the end of the first quarter of 2008 and 13.5% for the year end 2008 return.

Capital Securities 10.6 million GWL Preferred Shares, Series II, are authorized and were outstanding at the end of the first quarter of 2009. Subsequent to the end of first quarter of 2009, the Company redeemed these

(1) See non-GAAP financial measures on page 18.

shares for cash of $25.00 per share, or $265 million in aggregate, plus accrued and unpaid dividends to but excluding the date of redemption.

12.0 million Loblaw Second Preferred Shares, Series A are authorized and 9.0 million were outstanding at the end of the first quarter 2009.

These preferred shares are presented as capital securities and are included in liabilities.

Outstanding Share Capital GWL's outstanding share capital is comprised of common shares and preferred shares. An unlimited number of common shares are authorized and 129.1 million common shares were outstanding at the end of the first quarter of 2009. Ten million preferred shares Series I are authorized and 9.4 million were outstanding, 10.0 million preferred shares Series III are authorized and 8.0 million were outstanding and 8.0 million preferred shares Series IV and Series V are authorized and were outstanding at the end of the first quarter of 2009.

Subsequent to the end of the first quarter of 2009, GWL renewed its Normal Course Issuer Bid to purchase on the Toronto Stock Exchange or enter into equity derivatives to purchase up to 5% of its common shares outstanding. In accordance with the rules and by-laws of the Toronto Stock Exchange, GWL may purchase its shares at the then market price of such shares. GWL did not purchase any shares under its Normal Course Issuer Bid in the first quarter of 2009 or in 2008.

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

Dividends On April 1, 2009, common share dividends of $0.36 per share and preferred share dividends of $0.32 per share for the Series II, Series III and Series IV preferred shares and dividends of $0.30 per share for the Series V preferred shares were paid as declared by GWL's Board of Directors. On March 15, 2009, preferred share dividends of $0.36 per share for the Series I preferred shares were paid as declared by the Board. The common share dividend for the first quarter of 2009 was maintained at the 2008 quarterly dividend rate.

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

Subsequent to the end of the first quarter, common share dividends of $0.36 per share and preferred share dividends of $0.32 per share for the Series III and Series IV preferred shares and dividends of $0.30 per share for the Series V preferred shares, payable on July 1, 2009, were declared by GWL's Board of Directors. In addition, dividends of $0.36 per share for Series I preferred shares, payable on June 15, 2009, were also declared.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows used in Operating Activities of Continuing Operations First quarter 2009 cash flows used in operating activities of continuing operations were $403 million compared to $309 million in the comparable period in 2008. The increase in cash flows used in operating activities of continuing operations for the first quarter was mainly due to an increase in cash flows used in non-cash working capital and a decrease in net earnings before minority interest, excluding the impact of Weston Foods' non-cash goodwill impairment charge and the fair value adjustment of GWL's forward sale agreement, as well as changes in other items.

Cash Flows (used in) from Investing Activities of Continuing Operations First quarter 2009 cash flows used in investing activities of continuing operations were $806 compared to cash flows from investing activities of continuing operations of $107 million in 2008. The primary reasons for these changes were an increase in cash flows used in short term investments, and an increase in cash flows from credit card receivables, after securitization. The change in cash flows used in short term investments reflects the Company's investment of the proceeds from the sale of the U.S. fresh bakery business. Capital investment for the first quarter amounted to $137 million (2008 – $118 million).

Cash Flows (used in) from Financing Activities of Continuing Operations First quarter 2009 cash flows used in financing activities of continuing operations of $24 million compared to cash flows from financing activities of continuing operations of $363 million in 2008. The change was primarily due to the repayment of

GWL's $250 million 5.90% MTN and Loblaw's $125 million 5.75% MTN, which matured, partially offset by lower dividend payments as a result of the timing of the payment of dividends. During the first quarter of 2009, short term debt increased by $394 million primarily to fund working capital requirements at Loblaw and repay the MTN's.

Net Debt (excluding Exchangeable Debentures)[(1)] In the first quarter of 2009, the Company revised its definition of net debt (excluding Exchangeable Debentures)[(1)] to include the fair value of financial derivative assets and liabilities, other than those related to commodities, as the Company believes the measure should contain all interest bearing financing arrangements. Net debt (excluding Exchangeable Debentures)[(1)] decreased to $491 million as at March 28, 2009 from $4,697 million at March 22, 2008. Of the $4,206 million reduction, the proceeds from the sale of the U.S. fresh bakery business accounted for $3,092 million, the proceeds from the sale of Weston Foods' dairy and bottling operations accounted for $467 million, the proceeds from the issuance of preferred shares by Loblaw accounted for $218 million, and all other factors including foreign exchange rates accounted for $429 million.

During the first quarter of 2009, net debt (excluding Exchangeable Debentures)[(1)] decreased by $2,760 million, primarily due to the proceeds from the sale of Weston Foods' U.S. fresh bakery business, partially offset by an increase in short term debt which was required to fund working capital at Loblaw. During the first quarter of 2008, net debt (excluding Exchangeable Debentures)[(1)] increased by $406 million, primarily due to an increase in short term debt.

Sources of Liquidity From time to time, *President's Choice* Bank ("*PC* Bank"), a wholly owned subsidiary of Loblaw, securitizes credit card receivables through the sale of a portion of the total interest in these receivables to independent trusts. 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 (2009 – $116 million; 2008 – $89 million) on a portion of the securitized amount. A portion of the securitized receivables is held by an independent trust facility with a term of 364 days, subject to annual renewal. If the facility is not renewed, collections must be accumulated prior to the expiry and the amount of that portion of the securitized receivables repaid to the trust. In the absence of securitization, Loblaw would be required to raise alternative financing by issuing additional debt or equity instruments. During the first quarter of 2009, one of these independent trusts filed a base shelf prospectus which permits it to issue up to $1.5 billion of notes over a 25 month period. Any issuance of notes is subject to the availability of credit markets.

Cash and cash equivalents, short term investments, future operating cash flow 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 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.

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

During the second quarter of 2008, GWL entered into a $300 million, 5-year committed credit facility, provided by a syndicate of banks. Following the sale of the U.S. fresh bakery business in the first quarter of 2009, GWL terminated the credit facility.

As a result of the sale of the U.S. fresh bakery business, the Company holds significant cash and short term investments. These funds are invested in Canadian dollar denominated highly liquid marketable investments and other short term investments consisting primarily of Canadian government treasury bills and treasury notes, Canadian government sponsored debt securities, corporate commercial paper and bank term deposits.

(1) See non-GAAP financial measures on page 18.

The Company's (excluding Loblaw's) cash and cash equivalents, short term investments and future operating cash flows are expected to be sufficient to 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. The Company (excluding Loblaw) does not foresee any difficulty in satisfying its long term obligations at this time.

During the first quarter of 2009, Dominion Bond Rating Service ("DBRS") affirmed GWL's long term corporate credit, commercial paper and preferred share ratings at "BBB", "R-2 (high)" and "Pfd-3", respectively. DBRS revised the trend on GWL's commercial paper, notes and debentures, and preferred shares ratings to "Stable" from "Under Review with Developing Implications", where GWL's ratings were placed following the December 12, 2008 announcement that Dunedin had entered into an agreement with Grupo Bimbo, S.A.B. de C.V. to sell the U.S. fresh bakery business.

Also during the first quarter of 2009, Standard & Poor's ("S&P") affirmed GWL's long term corporate credit, commercial paper and preferred share ratings at "BBB", "A-2" and "P-3 (high)", respectively. GWL was removed from "CreditWatch with Negative Implications", and the ratings outlook was changed to "Stable". GWL was placed on "CreditWatch with Negative Implications" by S&P on December 5, 2008, following the announcement that Dunedin was in discussions with Grupo Bimbo, S.A.B. de C.V. about the possible sale of the U.S. fresh bakery business.

GWL's ability to obtain funding from external sources may be restricted by downgrades in its current credit ratings, should its financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect GWL's access and ability to fund its short term and long term debt requirements. The Company (excluding Loblaw) mitigates these risks by maintaining appropriate levels of cash and cash equivalents and short term investments, actively monitoring market conditions and diversifying its sources of funding and maturity profile. Given its significant holdings of cash and short term investments following the sale of the U.S. fresh bakery business, the Company (excluding Loblaw) currently does not foresee any difficulty in funding its short term and long term debt requirements.

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.

The gross principal amount of loans issued to Loblaw's independent franchisees by the independent trusts at the end of the first quarter of 2009 was $383 million (2008 – $402 million) including $153 million (2008 – $165 million) of loans payable by VIEs consolidated by the Company. 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% (2008 − 10%) of the principal amount of the loans outstanding at any point in time. At the end of the first quarter of 2009, $66 million (2008 – $44 million) was available as a standby letter of credit. This standby letter of credit has never been drawn upon.

Subsequent to the first quarter of 2009, Loblaw renewed the $475 million, 364-day revolving committed credit facility that is the source of funding to the independent trusts. The new financing structure requires further review to determine if there are any implications with respect to the consolidation of VIEs.

Equity Forward Contracts At quarter end Loblaw had cumulative equity forwards to buy 4.8 million (2008 – 4.8 million) of its common shares at a cumulative average forward price of $54.73 (2008 – $53.73) including $9.86 (2008 – $8.86) per common share of interest expense, net of dividends. At the end of the first quarter of 2009 the cumulative interest and unrealized market loss of $113 million (2008 – $119 million) is included in accounts payable and accrued liabilities. Subsequent to the end of the quarter, Loblaw and the counterparty agreed to terminate a portion of the equity forwards representing 1.6 million shares, which will lead to the extinguishment of a portion of the liability. Based on the market value of Loblaw's share price at the end of the quarter, Loblaw would be required to pay approximately $41 million.

Employee Future Benefit Contributions During the first quarter of 2009, the Company contributed $25 million (2008 – $14 million) to its registered defined benefit pension plans. The Company expects to contribute $120 million to these plans during 2009. This estimate may vary subject to actuarial valuations being completed, market performance and regulatory requirements. The Company regularly monitors and assesses plan experience and the impact of changes in participant demographics, changes in capital markets and other economic factors that may impact its funding requirements, employee future benefit costs and actuarial assumptions.

QUARTERLY RESULTS OF OPERATIONS

The following is a summary of selected consolidated financial information derived from the Company's unaudited interim period consolidated financial statements for each of the eight most recently completed quarters. This information was prepared in accordance with Canadian GAAP. Each of the quarters presented is 12 weeks in duration except for the third quarter, which is 16 weeks in duration. Every five years the fourth quarter is 13 weeks in duration, which occurred in fiscal 2008 and will reoccur in fiscal 2013.

Quarterly Financial Information (unaudited)

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
($ millions except where otherwise indicated)	**2009**	2008	2008	2007	2008	2007	2008	2007
Sales	**$ 7,022**	$ 6,835	$ 8,050	$ 7,228	$ 9,879	$ 9,497	$ 7,324	$ 7,214
Net (loss) earnings from continuing operations[(1)]	**$ (27)**	$ 84	$ 357	$ 112	$ 120	$ 117	$ 87	$ 82
Net earnings	**$ 863**	$ 131	$ 405	$ 153	$ 180	$ 179	$ 118	$ 130
Net (loss) earnings per common share from continuing operations ($)								
Basic and diluted[(1)]	**$ (0.28)**	$ 0.55	$ 2.69	$ 0.76	$ 0.81	$ 0.77	$ 0.60	$ 0.54
Net earnings per common share ($)								
Basic and diluted[(1)]	**$ 6.61**	$ 0.91	$ 3.06	$ 1.08	$ 1.29	$ 1.25	$ 0.84	$ 0.91

(1) Certain prior period amounts have been restated as a result of the implementation of new accounting standards in the first quarter of 2009 on a retroactive basis. See note 2 to the unaudited interim period consolidated financial statements.

Consolidated sales growth continued in the first quarter of 2009 compared to the first quarter of 2008. At Loblaw, same-store sales in the current quarter increased 2.1%. At Weston Foods, quarterly sales growth was positively impacted by the combined effect of price increases and changes in sales mix. Weston Foods quarterly sales growth was also positively impacted by foreign currency translation.

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

- restructuring and other charges incurred by Weston Foods and Loblaw;
- fluctuations in stock-based compensation net of the impact of the associated equity derivatives, as a result of changes in the market prices of GWL's and Loblaw's common shares;
- the commodity derivatives fair value adjustment at Weston Foods;
- accounting for GWL's forward sale agreement of 9.6 million Loblaw common shares;
- Loblaw's charges related to inventory liquidation;
- the fair value adjustment and the income tax effect of the fair value adjustment of the Domtar (Canada) Paper Inc. shares, net of the re-measurement of the GWL 3% Exchangeable Debentures;
- the gain on the redemption of the remaining outstanding GWL 3% Exchangeable Debentures and the sale of the Domtar (Canada) Paper Inc. shares in the second quarter of 2008;
- the gain on sale of Weston Foods' Canadian dairy and bottling operations, and Loblaw's food service business in the fourth quarter of 2008;
- the non-cash goodwill impairment charge in Weston Foods' biscuits, cookies, cones and wafers business in the first quarter of 2009;
- the gain on sale of Weston Foods' U.S. fresh bakery business in the first quarter of 2009;
- the reversal of the cumulative foreign currency translation loss associated with Dunedin and certain of its affiliates in the first quarter of 2009; and
- foreign exchange gains and losses associated with the Company's (excluding Loblaw's) USD denominated cash and short term investments held in integrated foreign subsidiaries, beginning in the first quarter of 2009.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

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

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is necessarily required to use judgment in evaluating controls and procedures.

Management has evaluated whether there were changes in the Company's internal controls over financial reporting that occurred during the twelve weeks ended March 28, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Management has determined that no material changes occurred during this period.

ENTERPRISE RISKS AND RISK MANAGEMENT

Detailed descriptions of the operating and financial risks and risk management strategies are included in the Enterprise Risks and Risk Management Section on page 33 of the annual MD&A as well as note 29 to the Consolidated Financial Statements, included in the Company's 2008 Annual Report. The following is an update to those enterprise risks and risk management strategies:

Economic Environment In the last six months of 2008 and continuing into 2009, economic conditions in Canada and the United States deteriorated significantly, which may impact the Company's operations negatively in the future as increased unemployment levels, changes in interest rates, reduced access to credit or changes in inflation could impact consumer spending and ultimately negatively affect the Company's sales and margins. Inflationary trends are unpredictable and changes in the rate of inflation may affect consumer prices, which may have a negative effect on results. Management regularly monitors economic conditions and their impact on the Company's operations, and actively considers these factors in making short term operating and longer term strategic decisions.

SUBSEQUENT EVENTS

Subsequent to the end of the first quarter, Loblaw announced the introduction of a Dividend Reinvestment Plan (the "Plan") that will enable eligible holders of common shares to automatically reinvest their regular quarterly dividends in additional common shares of Loblaw. The Plan is subject to regulatory approvals. Under the current Plan, dividends by participating shareholders will be reinvested in additional common shares issued from treasury at a three percent discount to the average market price on the applicable dividend payment date. The Company has confirmed its intention to participate in the Plan with respect to approximately 160 million Loblaw common shares owned by the Company.

Subsequent to the end of the first quarter, Loblaw issued $350 million principal amount of Medium Term Notes, Series 2-A pursuant to its Medium Term Notes, Series 2 program. The notes will pay a fixed rate of 4.85% until maturity on May 8, 2014. The notes are unsecured obligations of Loblaw and rank equally with all other unsecured indebtedness of Loblaw that has not been subordinated. The net proceeds of the offering were added to the general funds of Loblaw and used to repay short term debt, refinance other indebtedness and for general corporate purposes.

ACCOUNTING STANDARDS IMPLEMENTED IN 2009

Goodwill and Intangible Assets In November 2007, the CICA issued amendments to Section 1000, "Financial Statement Concepts", and Accounting Guideline 11, "Enterprises in the Development Stage", issued a new Section 3064, "Goodwill and Intangible Assets" ("Section 3064") to replace Section 3062, "Goodwill and Other Intangible Assets", withdrew Section 3450, "Research and Development Costs" and amended Emerging Issues Committee Abstract 27, "Revenues and Expenditures During the Pre-operating Period" to not apply to entities that have adopted Section 3064. These amendments provide guidance for the recognition of intangible assets, including internally developed assets from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The Company has implemented the standard effective for the first quarter of 2009, retroactively with restatement of the comparative periods for the prior year. Restatement of the comparative period resulted in a decrease to other assets of $48 million, an increase in selling, administrative and other expenses of $5 million, a decrease in depreciation and amortization of $6 million, a decrease to retained earnings net of income taxes and minority interest of $20 million, a decrease in future income taxes liability of $17 million, a decrease in minority interest of $11 million and a nominal increase to future income tax expense. Upon implementation of these requirements a decrease in other assets of $42 million, a decrease in future income taxes liability of $15 million, a decrease in minority interest of $10 million and a decrease to opening retained earnings net of income taxes and minority interest of $17 million were recorded on the consolidated balance sheet as at December 31, 2008.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities On January 20, 2009, the Emerging Issues Committee issued EIC Abstract No.173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" ("EIC 173"). The committee reached a consensus that a company's credit risk and the credit risk of its counterparties should be considered when determining the fair value of its financial assets and financial liabilities, including derivative instruments. The transitional provisions resulting from the implementation of EIC 173 require the abstract to be applied retrospectively without restatement of prior periods. The Company has re-measured the financial assets and financial liabilities, including derivative instruments, as at the beginning of the period of adoption, January 1, 2009, to take into account its own credit risk and counterparty credit risk. Upon implementation of this abstract, a decrease in other assets of $12 million, a decrease in other liabilities of $4 million, a decrease in minority interest of $3 million, a decrease net of income taxes and minority interest in accumulated other comprehensive income of $1 million and a decrease in retained earnings net of income taxes and minority interest of $4 million were recorded in the consolidated balance sheet.

FUTURE ACCOUNTING STANDARDS

International Financial Reporting Standards ("IFRS") The Canadian Accounting Standards Board ("AcSB") will require all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition from Canadian GAAP to IFRS will take place in the first quarter of 2011 at which time the Company will report both the current and comparative financial information using IFRS.

The Company has established a project structure including an IFRS team led by the Chief Financial Officer to ensure the timely and appropriate implementation of IFRS. The IFRS team consists of dedicated resources as well as consultants and other employees on an as needed basis. This team reports regularly to a steering committee comprised of senior management, as well as the audit committee.

The Company has developed an IFRS conversion project plan consisting of three main phases:

Phase One: Diagnostic Impact Assessment This phase consisted of a high-level impact assessment that identified the key areas of accounting differences between Canadian GAAP and IFRS that are likely to impact the Company. The diagnostic impact assessment was completed in 2008 and resulted in the ranking of accounting differences as high, medium, or low priority for further analysis.

Phase Two: Detailed Assessment This phase involved a comprehensive assessment of the differences between IFRS and the Company's current accounting policies, and included reviews of the differences with the various finance groups and business process owners to further understand the impact of these differences. The detailed assessment was completed in April 2009 at which time the potential changes to existing accounting policies, business process and information systems were identified.

Phase Three: Implementation This phase includes two components: Implementation Development and Implementation Transition.

This implementation development phase is currently in progress, and involves an analysis of policy alternatives under IFRS, including certain exemptions and elections available on transition. In addition, during this phase the design and development of the required changes to business processes and supporting information systems will be addressed.

This implementation transition phase will involve the final approval of accounting policies, including transitional elections, the execution of changes to business processes and supporting information systems, and the training of finance, operational and other staff. This phase will result in the compilation of IFRS transitional adjustments, as required, as well as IFRS financial statements with required reconciliations to Canadian GAAP.

The International Accounting Standards Board (“IASB”) work plan anticipates the completion of several projects during 2010 and 2011 that could affect the differences between Canadian GAAP and IFRS and the impact on the Company’s financial statements in future years. At this time, the Company cannot quantify the impact that the future adoption of IFRS will have on the Company’s financial statements and operating performance measures.

OUTLOOK(1)

The consolidated results of George Weston Limited for the remainder of 2009 will continue to reflect the performance of both the Weston Foods and Loblaw operating businesses. With the divestitures of the dairy business in 2008 and the U.S. fresh bakery business in January 2009, the Company has significant holdings of cash and 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 U.S. foreign exchange currency fluctuations. The Company is continuing to assess its strategic options for the deployment of the proceeds from these divestitures.

Despite challenging market conditions, the remaining Weston Foods operating businesses are expected to deliver satisfactory operating performance for the remainder of 2009. However, it is difficult to predict the impact on reported earnings of mark to market adjustments resulting from volatility in commodity markets, changes in the effect of stock-based compensation net of equity derivatives and the other items noted above under Consolidated Results of Operations. Weston Foods will continue its efforts to satisfy consumer and customer needs, manage product mix, improve productivity and reduce costs in an uncertain economic environment.

Loblaw is focused on continuing to embed consistent execution across the business while undertaking aggressive store renovation and infrastructure programs. Loblaw remains cautious and prepared for continuing challenges throughout 2009 as inflation could unwind and economic conditions remain volatile.

ADDITIONAL INFORMATION

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

This Quarterly Report includes selected information on Loblaw Companies Limited, a 62%-owned public reporting company with shares trading on the Toronto Stock Exchange. For information regarding Loblaw, readers should also refer to the materials filed by Loblaw with the Canadian securities regulatory authorities from time to time.

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

NON-GAAP FINANCIAL MEASURES

The Company uses the following non-GAAP measures: EBITDA and EBITDA margin, net debt, net debt to equity, and rolling year return on net assets. Historically, the Company utilized free cash flow and rolling year return on average total assets as non-GAAP financial measures. Management believes rolling year return on average net assets is a more complete measure of the return on productive assets. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below. These measures do not have a standardized meaning prescribed by Canadian GAAP and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other financial measures determined in accordance with Canadian GAAP.

EBITDA and EBITDA Margin The following table reconciles earnings before interest, income taxes, depreciation and amortization ("EBITDA") to Canadian GAAP net earnings reported in the unaudited interim period consolidated statements of earnings for the twelve 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.

	12 Weeks Ended Mar. 28, 2009				12 Weeks Ended Mar. 22, 2008		
($ millions)	**Weston Foods**	**Loblaw**	**Other**	**Consolidated**	Weston Foods	Loblaw	Consolidated
Net (loss) earnings from continuing operations				**$ (27)**			$ 84
Add impact of the following:							
Minority interest				**37**			24
Income taxes				**54**			63
Interest expense and other financing charges				**37**			24
Operating (loss) income	**$ (27)**	**$ 224**	**$ (96)**	**$ 101**	$ 41	$ 154	$ 195
Depreciation and amortization(1)	**12**	**132**		**144**	13	130	143
EBITDA	**$ (15)**	**$ 356**	**$ (96)**	**$ 245**	$ 54	$ 284	$ 338

(1) Includes depreciation of $11 million (2008 – $10 million) included in cost of inventories sold.

Net Debt The following table reconciles net debt used in the net debt to equity ratio to Canadian GAAP measures reported as at the periods ended as indicated. In the first quarter of 2009, the company revised its definition of net debt to include the fair value of financial derivative assets and liabilities, other than those related to commodities, as the Company believes the measure should contain all interest bearing financing arrangements.

The Company calculates net debt as the sum of long term debt, short term debt and the fair value of financial derivative liabilities less cash and cash equivalents, short term investments, security deposits and the fair value of financial derivative assets. The fair value of financial derivative assets and liabilities are presented on a net basis in the following table. The Company believes this measure is useful in assessing the amount of financial leverage employed. The Company calculates net debt (excluding Exchangeable Debentures) as net debt (as calculated above) less Exchangeable Debentures and believes this measure is also useful in evaluating the amount of leverage employed by the Company as the Exchangeable Debentures could have been settled by using the Company's investment in Domtar (Canada) Paper Inc.

($ millions)	**Mar. 28, 2009**	Mar. 22, 2008	Dec. 31, 2008	Dec. 31, 2007
Bank indebtedness	**$ 96**	$ 141	$ 112	$ 60
Short term debt	**847**	1,230	453	859
Long term debt due within one year	**39**	940	415	432
Long term debt	**5,317**	4,968	5,308	5,494
Fair value of financial derivative assets	**(323)**	(416)	(318)	(441)
	5,976	6,863	5,970	6,404
Less: Cash and cash equivalents	**3,323**	1,292	1,465	1,076
Short term investments	**1,564**	299	694	461
Security deposits	**598**	445	560	419
Net debt	**491**	4,827	3,251	4,448
Less: Exchangeable Debentures		130		157
Net debt (excluding Exchangeable Debentures)	**$ 491**	$ 4,697	$ 3,251	$ 4,291

Capital securities are excluded from the calculation of net debt because the Company at its option can convert the capital securities into common shares. Fair value of financial derivatives are not credit value adjusted in accordance with EIC 173, see note 2 to the unaudited interim consolidated financial statements.

Net Assets The following table reconciles net assets used in the rolling year return on average net assets ratio to Canadian GAAP measures reported as at the periods ended as indicated. Historically, the Company utilized the rolling year return on average total assets as a non-GAAP financial measure. Management believes the rolling year return on average net assets is a more complete measure of the return on productive assets.

Net assets is calculated as total assets less cash and cash equivalents, short term investments, the Domtar (Canada) Paper Inc. investment, security deposits, the fair value of GWL's forward sale agreement for 9.6 million Loblaw common shares, assets of operations held for sale and accounts payable and accrued liabilities. Rolling year return on average net assets is calculated as cumulative operating income for the latest four quarters divided by average net assets.

($ millions)	**Mar. 28, 2009**	Mar. 22, 2008
Canadian GAAP total assets	**$ 19,646**	$ 18,525
Less: Cash and cash equivalents	**3,323**	1,292
Short term investments	**1,564**	299
Domtar (Canada) Paper Inc. investment		130
Security deposits	**598**	445
Current assets of operations held for sale		277
Fair value of GWL forward sale agreement for 9.6 million Loblaw shares	**445**	426
Long term assets of operations held for sale		1,960
Accounts payable and accrued liabilities	**2,699**	2,725
Net assets	**$ 11,017**	$ 10,971

Consolidated Statements of Earnings

(unaudited)

($ millions except where otherwise indicated)	12 Weeks Ended Mar. 28, 2009	Mar. 22, 2008 (restated[1])
Sales	**$ 7,022**	$ 6,835
Operating Expenses		
Cost of inventories sold (note 10)	**5,254**	5,184
Selling, administrative and other expenses	**1,461**	1,323
Depreciation and amortization (note 10)	**133**	133
Goodwill impairment (note 11)	**73**	
	6,921	6,640
Operating Income	**101**	195
Interest Expense and Other Financing Charges (note 3)	**37**	24
Earnings from Continuing Operations Before the Following:	**64**	171
Income Taxes (note 5)	**54**	63
	10	108
Minority Interest	**37**	24
Net (Loss) Earnings from Continuing Operations	**(27)**	84
Discontinued Operations (note 4)	**890**	47
Net Earnings	**$ 863**	$ 131
Net (Loss) Earnings per Common Share – Basic and Diluted ($)		
Continuing Operations (note 6)	**$ (0.28)**	$ 0.55
Discontinued Operations	**$ 6.89**	$ 0.36
Net Earnings	**$ 6.61**	$ 0.91

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

(1) See note 2 to the unaudited interim period consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity
(unaudited)

($ millions except where otherwise indicated)	12 Weeks Ended Mar. 28, 2009	Mar. 22, 2008 (restated[(1)])
Share Capital		
Preferred Shares	**$ 817**	$ 817
Common Shares	**133**	133
Total Share Capital, Beginning and End of Period	**$ 950**	$ 950
Retained Earnings, Beginning of Period	**$ 5,282**	$ 4,699
Cumulative impact of implementing new accounting standards (note 2)	**(4)**	(20)
Net earnings	**863**	131
Dividends declared		
Per common share ($) – $0.36 (2008 – $0.36)	**(46)**	(46)
Per preferred share ($) – Series I – $0.36 (2008 – $0.36)	**(4)**	(4)
– Series II – $0.32 (2008 – $0.32) (notes 3 & 15)		(3)
– Series III – $0.32 (2008 – $0.32)	**(3)**	(3)
– Series IV – $0.32 (2008 – $0.32)	**(2)**	(2)
– Series V – $0.30 (2008 – $0.30)	**(2)**	(2)
Retained Earnings, End of Period	**$ 6,084**	$ 4,750
Accumulated Other Comprehensive Loss, Beginning of Period	**$ (322)**	$ (999)
Cumulative impact of implementing new accounting standards (note 2)	**(1)**	
Other comprehensive income	**296**	122
Accumulated Other Comprehensive Loss, End of Period (note 16)	**$ (27)**	$ (877)
Total Shareholders' Equity	**$ 7,007**	$ 4,823

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

Consolidated Statements of Comprehensive Income
(unaudited)

($ millions)	12 Weeks Ended Mar. 28, 2009	Mar. 22, 2008 (restated[(1)])
Net earnings	**$ 863**	$ 131
Other comprehensive income net of income taxes and minority interest		
Foreign currency translation adjustment	**151**	122
Reclassification of cumulative foreign currency translation loss to net earnings	**144**	
	295	122
Net unrealized gain on available-for-sale financial assets	**4**	6
Reclassification of (gain) loss on available-for-sale financial assets to net earnings	**(9)**	7
	(5)	13
Net loss on derivatives designated as cash flow hedges	**(3)**	(5)
Reclassification of loss (gain) on derivatives designated as cash flow hedges to net earnings	**9**	(8)
	6	(13)
Other comprehensive income	**296**	122
Total Comprehensive Income	**$ 1,159**	$ 253

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

(1) See note 2 to the unaudited interim period consolidated financial statements.

Consolidated Balance Sheets

($ millions)	Mar. 28, 2009 (unaudited)	As at Mar. 22, 2008 (restated[1]) (unaudited)	Dec. 31, 2008 (restated[1])
ASSETS			
Current Assets			
Cash and cash equivalents (note 7)	**$ 3,323**	$ 1,292	$ 1,465
Short term investments	**1,564**	299	694
Domtar investment		130	
Accounts receivable (notes 8 & 9)	**749**	1,015	958
Inventories (note 10)	**2,336**	1,999	2,307
Income taxes	**78**	178	40
Future income taxes	**60**	78	69
Prepaid expenses and other assets	**54**	48	75
Current assets of operations held for sale (note 4)		277	2,588
Total Current Assets	**8,164**	5,316	8,196
Fixed Assets	**8,557**	8,444	8,542
Goodwill and Intangible Assets (note 11)	**1,066**	1,133	1,134
Future Income Taxes	**60**		36
Other Assets	**1,799**	1,672	1,714
Long Term Assets of Operations Held for Sale (note 4)		1,960	
Total Assets	**$ 19,646**	$ 18,525	$ 19,622
LIABILITIES			
Current Liabilities			
Bank indebtedness	**$ 96**	$ 141	$ 112
Accounts payable and accrued liabilities	**2,699**	2,725	3,121
Income taxes	**39**		78
Short term debt (note 13)	**847**	1,230	453
Long term debt due within one year (note 14)	**39**	940	415
Capital securities (note 15)	**265**		264
Current liabilities of operations held for sale (note 4)		355	620
Total Current Liabilities	**3,985**	5,391	5,063
Long Term Debt (note 14)	**5,317**	4,968	5,308
Future Income Taxes	**277**	268	273
Other Liabilities	**597**	540	615
Capital Securities (note 15)	**219**	260	219
Minority Interest	**2,244**	2,104	2,234
Long Term Liabilities of Operations Held for Sale (note 4)		171	
Total Liabilities	**12,639**	13,702	13,712
SHAREHOLDERS' EQUITY			
Share Capital (note 15)	**950**	950	950
Retained Earnings	**6,084**	4,750	5,282
Accumulated Other Comprehensive Loss (note 16)	**(27)**	(877)	(322)
Total Shareholders' Equity	**7,007**	4,823	5,910
Total Liabilities and Shareholders' Equity	**$ 19,646**	$ 18,525	$ 19,622

Contingencies, commitments and guarantees (note 18).
Subsequent events (note 21).

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

(1) See note 2 to the unaudited interim period consolidated financial statements.

Consolidated Cash Flow Statements
(unaudited)

($ millions)	12 Weeks Ended Mar. 28, 2009	Mar 22, 2008 (restated[1])
Operating Activities		
Net earnings from continuing operations before minority interest	**$ 10**	$ 108
Depreciation and amortization	**144**	143
Goodwill impairment (note 11)	**73**	
Future income taxes	**(11)**	(9)
Fair value adjustment of GWL's forward sale agreement (note 3)	**(40)**	(51)
Change in non-cash working capital	**(551)**	(532)
Other	**(28)**	32
Cash Flows used in Operating Activities of Continuing Operations	**(403)**	(309)
Investing Activities		
Fixed asset purchases	**(137)**	(118)
Short term investments	**(851)**	193
Proceeds from fixed asset sales	**5**	10
Credit card receivables, after securitization (note 8)	**229**	74
Franchise investments and other receivables	**(17)**	(18)
Other	**(35)**	(34)
Cash Flows (used in) from Investing Activities of Continuing Operations	**(806)**	107
Financing Activities		
Bank indebtedness	**(38)**	82
Short term debt (note 13)	**394**	371
Long term debt - Issued	**8**	5
- Retired (note 14)	**(385)**	(13)
Dividends - To common shareholders		(46)
- To preferred shareholders	**(3)**	(14)
- To minority shareholders		(22)
Cash Flows (used in) from Financing Activities of Continuing Operations	**(24)**	363
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents	**(8)**	46
Cash Flows (used in) from Continuing Operations	**(1,241)**	207
Cash Flows from Discontinued Operations (note 4)	**3,099**	9
Change in Cash and Cash Equivalents	**1,858**	216
Cash and Cash Equivalents, Beginning of Period	**1,465**	1,076
Cash and Cash Equivalents, End of Period	**$ 3,323**	$ 1,292

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

(1) See note 2 to the unaudited interim period consolidated financial statements.

1. Summary of Significant Accounting Principles

Basis of Presentation The unaudited interim period consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods of application as those used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2008, except as described in note 2. Under Canadian GAAP, additional disclosure is required in annual financial statements and accordingly the unaudited interim period consolidated financial statements should be read together with the audited annual consolidated financial statements and the accompanying notes included in George Weston Limited's 2008 Annual Report.

Basis of Consolidation The unaudited interim period consolidated financial statements include the accounts of George Weston Limited ("GWL") and its subsidiaries (collectively the "Company") with provision for minority interest. The Company's interest in the voting share capital of its subsidiaries is 100% except for Loblaw Companies Limited ("Loblaw"), which was 61.9% at the end of the first quarters of 2009 and 2008 and at year end 2008. In addition, the Company consolidates variable interest entities ("VIEs") pursuant to the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15, "Consolidation of Variable Interest Entities", ("AcG 15"), that are subject to control by Loblaw on a basis other than through ownership of a majority of voting interest. AcG 15 defines a variable interest entity as an entity that either does not have sufficient equity at risk to finance its activities without subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. AcG 15 requires the primary beneficiary to consolidate VIEs and considers an entity to be the primary beneficiary of a VIE if it holds variable interests that expose it to a majority of the VIEs' expected losses or that entitle it to receive a majority of the VIEs' expected residual returns or both. The Company has two reportable operating segments: Weston Foods and Loblaw.

Inventories The Company values inventories at the lower of cost and net realizable value. Costs include the costs of purchase net of vendor allowances plus other costs, such as transportation and shrink, that are directly incurred to bring inventories to their present location and condition.

Use of Estimates and Assumptions The preparation of the unaudited interim period consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the unaudited interim period consolidated financial statements and accompanying notes. These estimates and assumptions are based on management's historical experience, best knowledge of current events and conditions and activities that may be undertaken in the future. Actual results could differ from these estimates.

Certain estimates, such as those related to valuation of inventories, goodwill, indefinite life intangible assets, income taxes, Goods and Services Tax, provincial sales taxes, employee future benefits and impairment of fixed assets, depend upon subjective or complex judgments about matters that may be uncertain, and changes in those estimates could materially impact the consolidated financial statements. Illiquid credit markets, volatile equity, foreign currency and energy markets and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

2. Implementation of New Accounting Standards

Accounting Standards Implemented in 2009

Goodwill and Intangible Assets In November 2007, the CICA issued amendments to Section 1000, "Financial Statement Concepts", and Accounting Guideline 11, "Enterprises in the Development Stage", issued a new Section 3064, "Goodwill and Intangible Assets" ("Section 3064") to replace Section 3062, "Goodwill and Other Intangible Assets", withdrew Section 3450, "Research and Development Costs" and amended Emerging Issues Committee Abstract 27, "Revenues and Expenditures During the Pre-operating Period" to not apply to entities that have adopted Section 3064. These amendments provide guidance for the recognition of intangible assets, including internally developed assets from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The Company has implemented the standard effective for the first quarter of 2009, retroactively with restatement of the comparative periods for the prior year. Restatement of the comparative period resulted in a decrease to other assets of $48 million, an increase in selling, administrative and other expenses of $5 million, a decrease in depreciation and amortization of $6 million, a decrease to retained earnings net of income taxes and minority interest of $20 million, a decrease in future income taxes liability of $17 million, a decrease in minority interest of $11 million and a nominal increase to future income tax expense. Upon implementation of these requirements a decrease in other assets of $42 million, a decrease in future income taxes liability of $15 million, a decrease in minority interest of $10 million and a decrease to opening retained earnings net of income taxes and minority interest of $17 million were recorded on the consolidated balance sheet as at December 31, 2008.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities On January 20, 2009, the Emerging Issues Committee issued EIC Abstract No.173, “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities” (“EIC 173”). The committee reached a consensus that a company’s credit risk and the credit risk of its counterparties should be considered when determining the fair value of its financial assets and financial liabilities, including derivative instruments. The transitional provisions resulting from the implementation of EIC 173 require the abstract to be applied retrospectively without restatement of prior periods. The Company has re-measured the financial assets and financial liabilities, including derivative instruments, as at the beginning of the period of adoption, January 1, 2009, to take into account its own credit risk and counterparty credit risk. Upon implementation of this abstract, a decrease in other assets of $12 million, a decrease in other liabilities of $4 million, a decrease in minority interest of $3 million, a decrease net of income taxes and minority interest in accumulated other comprehensive income of $1 million and a decrease in retained earnings net of income taxes and minority interest of $4 million were recorded in the consolidated balance sheet.

Accounting Standards Implemented in 2008

Capital Disclosures and Financial Instruments - Disclosure and Presentation In December 2006, the CICA issued three new accounting standards: Section 1535 “Capital Disclosures”, Section 3862 “Financial Instruments – Disclosures” and Section 3863 “Financial Instruments – Presentation”. The adoption of these sections did not have an impact on the Company’s results of operations or financial condition.

Inventories Effective January 1, 2008, the Company implemented Section 3031, “Inventories” (“Section 3031”), issued by the CICA in June 2007, which replaced Section 3030 of the same title. The transitional adjustments resulting from the implementation of Section 3031 are recognized in the 2008 opening balance of retained earnings. Upon implementation of these requirements, a decrease in opening inventories of $67 million and a corresponding decrease of $27 million to opening retained earnings net of income taxes of $25 million and minority interest of $15 million were recorded on the consolidated balance sheet resulting mainly from the application by Loblaw of a consistent cost formula for all inventories having a similar nature and use.

See note 2 of the annual consolidated financial statements for the year ended December 31, 2008 for further information.

3. Interest Expense and Other Financing Charges

	12 Weeks Ended	
($ millions)	**Mar. 28, 2009**	Mar. 22, 2008
Interest on long term debt	**$ 85**	$ 91
Interest expense on financial derivative instruments	**2**	1
Other financing charges(1)	**(45)**	(57)
Net short term interest income	**(5)**	(2)
Interest income on security deposits	**(2)**	(4)
Dividends on capital securities	**7**	
Capitalized to fixed assets	**(5)**	(5)
Interest expense and other financing charges	**$ 37**	$ 24

(1) Other financing charges for the first quarter of 2009 includes non-cash income of $40 million (2008 – $51 million), related to the fair value adjustment of GWL’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 GWL owns. GWL does not record any change in the market price associated with the Loblaw common shares it owns. Any cash paid under the forward contract could be offset by the sale of the Loblaw common shares. Also included in other financing charges is forward accretion income of $9 million (2008 – $10 million), net of the forward fee of $4 million (2008 – $4 million), associated with GWL’s forward sale agreement.

As more fully described in note 15, dividends on capital securities are presented in interest expense and other financing charges in the consolidated statement of earnings in the second quarter of 2008 and onwards.

During the first quarter of 2009, net interest expense of $85 million (2008 – $87 million) was recorded related to the financial assets and financial liabilities not classified as held-for-trading.

Interest on debt and dividends on capital securities paid in the first quarter of 2009 was $121 million (2008 – $148 million) and interest received on cash, short term investments and security deposits was $28 million (2008 – $55 million).

4. Discontinued Operations

On January 21, 2009, Dunedin Holdings S.à r.l. ("Dunedin"), a subsidiary of GWL, completed the sale of its fresh bread and baked goods business in the United States ("U.S. fresh bakery business") to Grupo Bimbo, S.A.B. de C.V. for gross and net proceeds of $3,092 million (approximately USD $2.5 billion, including approximately USD $125 million for interest bearing assets). The carrying value of the net assets sold were $2,171 million including goodwill and intangible assets of $1,421 million. The gain is subject to normal post closing working capital and other adjustments, which are expected to be finalized in the second quarter of 2009.

As part of the sale transaction and typical of the normal process of selling a business, Dunedin agreed to indemnify Grupo Bimbo in the event of inaccuracies in representations and warranties or if it fails to perform agreements and covenants provided for in the agreement of purchase and sale. The terms of the indemnification provisions vary in duration and may extend for an unlimited period of time. The indemnification provisions could result in future cash outflows and statement of earnings charges. The Company is unable to reasonably estimate its total maximum potential liability as certain indemnification provisions do not provide for a maximum potential amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time.

Certain financial information has been reclassified in the period ended March 22, 2008 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:

		12 Weeks Ended
($ millions)	**Mar. 28, 2009**(1)	Mar. 22, 2008
Sales	**$ 143**	$ 502
Operating income	**9**	58
Gain on disposal(2)	**921**	
Interest income and other financing charges(3)	**(1)**	(2)
Earnings before the following:	**931**	60
Income taxes	**41**	13
Earnings from discontinued operations	**$ 890**	$ 47

(1) Reflects results of the U.S. fresh bakery business up to the date of sale, January 21, 2009.

(2) Net of the reclassification of cumulative foreign currency translation loss of $110 million associated with the U.S. fresh bakery business that was previously reflected in accumulated other comprehensive loss.

(3) 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 March 22, 2008 and December 31, 2008 were as follows:

($ millions)	As at Mar. 22, 2008	As at Dec. 31, 2008
Current assets of operations held for sale		
Accounts receivable	$ 188	$ 219
Inventories	28	40
Prepaid expenses and other assets	27	211
Fixed assets		618
Goodwill and intangible assets		1,364
Future income taxes	34	136
	$ 277	$ 2,588
Long term assets of operations held for sale		
Fixed assets	$ 525	
Goodwill and intangible assets	1,159	
Future income taxes	99	
Other assets	177	
	$ 1,960	
Current liabilities of operations held for sale		
Bank indebtedness	$ 21	$ 22
Accounts payable and accrued liabilities	295	354
Income taxes	39	52
Future income taxes		2
Other liabilities		190
	$ 355	$ 620
Long term liabilities of operations held for sale		
Future income taxes	$ 1	
Other liabilities	170	
	$ 171	

The cash flows from discontinued operations were as follows:

($ millions)	12 Weeks Ended **Mar. 28, 2009**(1)	12 Weeks Ended Mar. 22, 2008
Cash flows from operations	**$ 7**	$ 24
Cash flows from (used in) investing	**3,092**	(9)
Cash flows used in financing		(6)
Cash flows from discontinued operations	**$ 3,099**	$ 9

(1) Reflects cash flows of the U.S. fresh bakery business up to the date of sale, January 21, 2009.

5. Income Taxes

The effective income tax rate increased to 84.4% in the first quarter of 2009 compared to 36.8% in the first quarter of 2008. The increase was mainly the result of the non-deductible reversal of the cumulative foreign currency translation loss associated with Dunedin and certain of its affiliates, and the foreign exchange gains and losses associated with the Company's USD denominated cash and short term investments.

Net income taxes paid in the first quarter of 2009 were $170 million (2008 – $101 million).

6. Basic and Diluted Net (Loss) Earnings per Common Share

	12 Weeks Ended	
($ millions except where otherwise indicated)	**Mar. 28, 2009**	Mar. 22, 2008
Net (loss) earnings from continuing operations	**$ (27)**	$ 84
Prescribed dividends on preferred shares in share capital	**(10)**	(13)
Net (loss) earnings from continuing operations available to common shareholders	**$ (37)**	$ 71
Weighted average common shares outstanding (in millions)	**129.1**	129.1
Dilutive effect of stock-based compensation (in millions)		
Diluted weighted average common shares outstanding (in millions)	**129.1**	129.1
Basic and diluted net (loss) earnings per common share from continuing operations ($)	**$ (0.28)**	$ 0.55

Stock options outstanding with an exercise price greater than the market price of GWL's common shares at the end of the first quarter were not included in the computation of diluted net (loss) earnings per common share from continuing operations. Accordingly, for the first quarter of 2009, 1,532,312 (2008 – 1,349,767) stock options, with a weighted average exercise price of $82.49 (2008 – $86.88) per common share, were excluded from the computation of diluted net (loss) earnings per common share from continuing operations.

7. Cash and Cash Equivalents

The components of cash and cash equivalents as at March 28, 2009, March 22, 2008 and December 31, 2008 were as follows:

		As at	
($ millions)	**Mar. 28, 2009**	Mar. 22, 2008	Dec. 31, 2008
Cash	**$ 131**	$ 105	$ 104
Cash equivalents - short term investments with a maturity date of 90 days or less:			
Bank term deposits	**701**	214	101
Government treasury bills	**1,991**	499	656
Government-sponsored debt securities	**133**	215	107
Corporate commercial paper	**337**	259	450
Foreign bonds	**30**		47
Cash and cash equivalents	**$ 3,323**	$ 1,292	$ 1,465

As at March 28, 2009, USD $2,148 million (2008 – USD $1,865 million) is included in cash, cash equivalents, short term investments and security deposits.

In the first quarter of 2009, the Company recognized an unrealized foreign currency exchange gain of $25 million (2008 – $73 million), as a result of translating its United States dollar denominated cash, cash equivalents, short term investments and security deposits, of which a loss of $8 million (2008 – gain of $46 million) related to cash and cash equivalents. Loblaw recognized an unrealized foreign currency exchange gain of $29 million (2008 – $33 million) as a result of translating its United States dollar denominated cash, cash equivalents, short term investments and security deposits, of which a gain of $14 million (2008 – $19 million) related to cash and cash equivalents. The remaining foreign currency exchange loss of $4 million (2008 – gain of $40 million) includes a loss of $22 million (2008 – gain of $27 million) related to the translation of cash and cash equivalents held by GWL's foreign operations. During the first quarter of 2009, $62 million (2008 – nil) of foreign currency exchange losses associated with the Company's (excluding Loblaw's) USD denominated cash and short term investments held in integrated foreign subsidiaries is recognized in operating income with the balance recognized in accumulated other comprehensive loss.

The Loblaw gain or loss on cash, cash equivalents, short term investments and security deposits, is partially offset in operating income and other comprehensive loss by the unrealized foreign currency exchange loss on Loblaw's cross currency swaps.

8. Accounts Receivable

From time to time, *President's Choice* Bank ("*PC* Bank"), a wholly owned subsidiary of Loblaw, securitizes credit card receivables through the sale of a portion of the total interest in these receivables to independent trusts. 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 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 (2008 – $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)	**Mar. 28, 2009**	Mar. 22, 2008	Dec. 31, 2008
Credit card receivables	**$ 1,974**	$ 1,947	$ 2,206
Amount securitized	**(1,775)**	(1,475)	(1,775)
Net credit card receivables	**199**	472	431
Other receivables	**550**	543	527
Accounts receivable	**$ 749**	$ 1,015	$ 958

Credit card receivables that are past due of $6 million (March 22, 2008 – $11 million) as at March 28, 2009 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 29 of the annual consolidated financial statements for the year ended December 31, 2008. Other receivables that are past due but not impaired totaled $70 million (March 22, 2008 – $68 million) as at March 28, 2009.

9. Allowances for Receivables

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

Credit Card Receivables

	12 Weeks Ended		Year Ended
($ millions)	**Mar. 28, 2009**	Mar. 22, 2008	Dec. 31, 2008
Allowances at beginning of period	**$ (15)**	$ (13)	$ (13)
Provision for losses	**(3)**	(2)	(35)
Recoveries	**(1)**	(2)	(14)
Write-offs	**4**	4	47
Allowances at end of period	**$ (15)**	$ (13)	$ (15)

Other Receivables

	12 Weeks Ended		Year Ended
($ millions)	**Mar. 28, 2009**	Mar. 22, 2008	Dec. 31, 2008
Allowances at beginning of period	**$ (32)**	$ (44)	$ (44)
Provision for losses	**(29)**	(8)	(84)
Write-offs	**16**	12	96
Allowances at end of period	**$ (45)**	$ (40)	$ (32)

10. Inventories

($ millions)	Mar. 28, 2009	As at Mar. 22, 2008	Dec 31, 2008
Raw materials and supplies	**$ 39**	$ 39	$ 41
Finished goods	**2,297**	1,960	2,266
Inventories	**$ 2,336**	$ 1,999	$ 2,307

Cost of inventories sold includes $11 million (2008 – $10 million) of depreciation during the first quarter of 2009.

The Company recorded $11 million (2008 – $11 million) as an expense for the write-down of inventories below cost to net realizable value for inventories as at March 28, 2009.

11. Goodwill and Intangible Assets

($ millions)	Weston Foods	Loblaw	Mar. 28, 2009 Total	As at Mar. 22, 2008	Dec. 31, 2008
Goodwill, beginning of period	**$ 169**	**$ 947**	**$ 1,116**	$ 1,103	$ 1,103
Goodwill, acquired during the period				1	1
Business disposition					(11)
Goodwill impairment[(1)]	**(73)**		**(73)**		
Impact of foreign currency translation	**5**		**5**	4	23
Goodwill, end of period	**101**	**947**	**1,048**	1,108	1,116
Trademarks and brand names	**13**		**13**	14	13
Other intangible assets	**5**		**5**	11	5
Goodwill and intangible assets	**$ 119**	**$ 947**	**$ 1,066**	$ 1,133	$ 1,134

(1) Weston Foods reorganized its remaining operations subsequent to the disposition of the U.S. fresh bakery business (see note 4). The reorganization changed the composition of Weston Foods' reporting units for the purpose of goodwill impairment testing. As a result of this change, Weston Foods recorded a write-down of a portion of the remaining goodwill related to the biscuits, cookies, cones and wafers business.

12. Employee Future Benefits

The Company's total net benefit plan cost recognized in operating income was $49 million (2008 – $42 million) for the first quarter of 2009. The total net benefit plan cost included costs for the Company's defined benefit pension and other benefit plans, defined contribution pension plans and multi-employer pension plans.

13. Short Term Debt

During 2008, GWL entered into a $300 million, 5-year committed credit facility provided by a syndicate of banks. This facility replaced a $300 million, 364-day revolving committed credit facility. Following the sale of the U.S. fresh bakery business in the first quarter of 2009, GWL terminated the 5-year committed credit facility. As at December 31, 2008, nil was drawn on the new 5-year committed credit facility and as at March 22, 2008, $253 was drawn on the $300 million, 364-day revolving committed credit facility.

As described in note 18 of the annual consolidated financial statements for the year ended December 31, 2008, Loblaw's $800 million, 5-year committed credit facility, provided by a syndicate of banks, contains certain financial covenants. Interest is based on a floating rate, primarily the bankers' acceptance rate and an applicable margin based on Loblaw's credit rating. As at March 28, 2009, $574 million (March 22, 2008 – $728 million; December 31, 2008 – $190 million) was drawn on the committed credit facility.

Also included in short term debt are GWL's Series B debentures, due on demand, of $273 million (March 22, 2008 – $231 million; December 31, 2008 – $263 million) as at March 28, 2009. As at March 22, 2008, $18 million of commercial paper is also included in short term debt.

14. Long Term Debt

During the first quarter of 2009, GWL's $250 million 5.90% medium term note ("MTN") due February 5, 2009 and Loblaw's $125 million 5.75% MTN due January 22, 2009 matured and were repaid.

As at March 28, 2009, $370 million (USD $300 million) of Loblaw fixed rate notes was recorded in long term debt on the consolidated balance sheet. For further information on the Company's policies with respect to managing debt and foreign currency exchange rate risk, refer to notes 1 and 29 of the annual consolidated financial statements for the year ended December 31, 2008.

15. Capital Management

Capital Securities GWL has 10.6 million 5.15% non-voting Preferred Shares, Series II authorized and outstanding, with a face value of $265 million, which entitle the holder to a fixed cumulative preferred cash dividend of $1.2875 per share per annum which will, if declared, be payable quarterly. On and after April 1, 2009, GWL may, at its option, redeem for cash, in whole or in part, these outstanding preferred shares at $25.00 per share, together with all accrued but unpaid dividends to but not including the redemption date. These preferred shares are presented as capital securities and are included in current liabilities as at the end of the first quarter of 2009, as such securities were redeemed in cash on April 1, 2009.

Outstanding Share Capital GWL's outstanding share capital is comprised of common shares and preferred shares. An unlimited number of common shares are authorized and 129.1 million common shares were outstanding at the end of the first quarter of 2009. Ten million preferred shares Series I are authorized and 9.4 million were outstanding, 10.0 million preferred shares Series III are authorized and 8.0 million were outstanding and 8.0 million preferred shares Series IV and Series V are authorized and were outstanding at the end of the first quarter of 2009.

Further information on GWL's outstanding share capital is provided in note 23 to the annual consolidated financial statements for the year ended December 31, 2008.

Subsequent to the end of the first quarter of 2009, GWL renewed its Normal Course Issuer Bid ("NCIB") to purchase on the Toronto Stock Exchange or enter into equity derivatives to purchase up to 5% of its common shares outstanding. In accordance with the rules and by-laws of the Toronto Stock Exchange, GWL may purchase its shares at the then market price of such shares. GWL did not purchase any shares under its NCIB in the first quarter of 2009 or in 2008.

Dividends The declaration and payment of dividends and the amount thereof are at the discretion of the Board of Directors, which takes into account the Company's financial results, capital requirements, available cash flow and other factors the Board of Directors considers relevant from time to time. Over the long term, GWL's objective is for its common dividend payment ratio to be in the range of 20% to 25% of the prior year's basic net earnings per common share from continuing operations, 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 first quarter of 2009, the Board of Directors declared quarterly dividends as follows:

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

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

16. Accumulated Other Comprehensive Loss

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

($ millions)	Foreign currency translation adjustment	Available-for-sale assets	Cash flow hedges	Total
				12 Weeks Ended Mar. 28, 2009
Balance, beginning of period	$ (334)	$ 10	$ 2	$ (322)
Cumulative impact of implementing new accounting standards(1)			(1)	(1)
Foreign currency translation adjustment	151			151
Reclassification of cumulative foreign currency translation loss to net earnings	144			144
Net unrealized gain on available-for-sale financial assets(2)		4		4
Reclassification of gain on available-for-sale financial assets(3)		(9)		(9)
Net loss on derivatives designated as cash flow hedges(4)			(3)	(3)
Reclassification of loss on derivatives designated as cash flow hedges(5)			9	9
Balance, end of period	$ (39)	$ 5	$ 7	$ (27)

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

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

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

See note 26 of the annual consolidated financial statements for the year ended December 31, 2008 for a continuity of accumulated other comprehensive loss for the year ended December 31, 2008.

An estimated gain of $7 million (2008 – $4 million), net of income taxes and minority interest, on interest rate swaps is expected to be reclassified to net earnings during the next 12 months. Remaining amounts on the interest rate swaps will be reclassified to net earnings over periods up to 3 years. A loss $3 million (2008 – $5 million), net of income taxes and minority interest, on cross currency swaps will be reclassified to net earnings over the next 12 months but will be partially offset by the gain on available-for-sale assets. Remaining amounts on the cross currency swaps will be reclassified to net earnings over periods up to 5 years. An estimated loss of $2 million (2008 – gain of $1 million) on commodity derivatives is expected to be reclassified to net earnings during the next 12 months.

During the first quarter of 2009, the change in the cumulative foreign currency translation adjustment from year end 2008 decreased accumulated other comprehensive loss by $151 million (2008 – $122 million). This change was due to the positive impact of translating the Company's net investment in self-sustaining foreign operations due to the depreciation of the Canadian dollar relative to the United States dollar during the first quarter.

The Company recognized $144 million of cumulative foreign currency translation loss associated with the U.S. net investment in net earnings in the first quarter of 2009. After the sale of the U.S. fresh bakery business on January 21, 2009, Dunedin and certain of its affiliates became "integrated" foreign subsidiaries. On the date of the sale, cumulative foreign currency translation loss of $34 million associated with Dunedin and its affiliates was reversed into operating income. An additional $110 million associated with the Company's net investment in the U.S. fresh bakery business was reversed into discontinued operations (see note 4).

17. 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:

	12 Weeks Ended	
($ millions)	**Mar. 28, 2009**	Mar. 22, 2008
Equity derivatives loss	**$ 21**	$ 38
Restricted share unit plan expense	**2**	
Net stock-based compensation expense	**$ 23**	$ 38

Stock Option Plan During the first quarter of 2009, GWL granted 230,430 (2008 – 219,349) stock options with an exercise price of $59.56 (2008 – $46.24) per common share. GWL also paid the share appreciation value of a nominal amount (2008 – nil) on the exercise of 16,025 (2008 – nil) stock options and share appreciation rights. In addition, 3,300 (2008 – 88,968) stock options and share appreciation rights were forfeited or cancelled during the first quarter of 2009.

During first quarter of 2009, Loblaw granted 2,640,846 (2008 – 3,303,557) stock options with an exercise price of $30.99 (2008 – $28.95) per common share. Loblaw also paid the share appreciation value of a nominal amount (2008 – nil) on the exercise of 9,652 (2008 – nil) stock options. In addition, 324,600 (2008 – 264,185) stock options were forfeited or cancelled during the first quarter of 2009.

At the end of the first quarter of 2009, a total of 1,827,449 (2008 – 1,665,516) GWL stock options and share appreciation rights were outstanding, 1,735,449 (2008 – 1,569,116) of which were stock options that represented approximately 1.3% (2008 – 1.2%) of GWL's issued and outstanding common shares. The stock options were within GWL's guideline of 5% of the total number of outstanding common shares.

Restricted Share Units ("RSU") Plan Under its existing RSU plan, GWL granted 61,667 (2008 – 27,732) RSUs in the first quarter of 2009. In addition 1,104 (2008 – 4,197) RSUs were cancelled and 58,214 (2008 – nil) RSUs were settled in cash in the amount of $4 million (2008 – nil) during the first quarter of 2009.

Under its existing RSU plan, Loblaw granted 425,093 (2008 – 352,268) RSUs in the first quarter of 2009. In addition, 18,022 (2008 – 20,163) RSUs were cancelled and 182,314 (2008 – 200,779) were settled in cash in the amount of $6 million (2008 – $7 million) in the first quarter of 2009.

At the end of the first quarter of 2009, a total of 154,128 (2008 – 193,528) GWL and 1,054,156 (2008 – 900,013) Loblaw RSUs were outstanding.

18. 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.

The gross principal amount of loans issued to Loblaw's independent franchisees outstanding at the end of the first quarter of 2009 was $383 million (2008 – $402 million) including $153 million (2008 – $165 million) of loans payable by VIEs consolidated by the Company. 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% (2008 – 10%) of the principal amount of the loans outstanding at any point in time, $66 million (2008 – $44 million) as of the end of the first quarter of 2009. The standby letter of credit has not been drawn upon.

Guarantee and Indemnity Agreements In the normal course, the Company executes agreements that provide for guarantees and indemnifications in favour of third parties in connection with transactions such as business dispositions, business acquisitions and financing transactions.

Legal Proceedings In 2008, the trustees of a multi-employer pension plan in which Loblaw's employees and those of its independent franchises participate are involved in proceedings brought by Financial Services Commission of Ontario whereby it has been alleged that the trustees violated certain provisions of the Pension Benefits Act (Ontario) in their management of the plan's funds. One of the trustees, an officer of Loblaw, is entitled to indemnification from Loblaw.

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 and claims is uncertain. However, based on information currently available, these proceedings and claims, individually and in the aggregate, are not expected to have a material impact on the Company.

19. Comparative Information

Certain prior year's information was reclassified to conform with the current year presentation. In addition, results of the U.S. fresh bakery business have been reclassified to discontinued operations (see note 4).

GWL's Preferred Shares, Series II, which were previously presented as share capital on the consolidated balance sheet, are now presented as capital securities and are included in liabilities and totaled $265 million (March 22, 2008 – $260 million; December 31, 2008 – $264 million) as at March 28, 2009.

The Company's unrealized equity derivatives liability, which was previously presented as other long term liabilities on the consolidated balance sheet, is now included in accounts payable and accrued liabilities and totaled $189 million (March 22, 2008 – $174 million; December 31, 2008 – $136 million) as at March 28, 2009.

Included in the cost of inventories sold is an allocation of depreciation on GWL's fixed assets which was previously included in depreciation and amortization in the consolidated statements of earnings totaling $11 million (2008 – $10 million) during the first quarter of 2009.

20. Segment Information

The Company has two reportable operating segments: Weston Foods and Loblaw. The accounting policies of the reportable operating segments are the same as those described herein and in the Company's 2008 Annual Report, except as described in note 2. The Company measures each reportable operating segment's performance based on operating income. Neither reportable operating segment is reliant on any single external customer.

($ millions)	Mar. 28, 2009	Mar. 22, 2008
Sales		
Weston Foods	**$ 437**	$ 511
Loblaw	**6,718**	6,527
Intersegment	**(133)**	(203)
Consolidated	**$ 7,022**	$ 6,835
Operating Income		
Weston Foods	**$ (27)**	$ 41
Loblaw(1)	**224**	154
Other(2)	**(96)**	
Consolidated	**$ 101**	$ 195
Total Assets		
Weston Foods(3)	**$ 1,966**	$ 2,660
Loblaw	**13,954**	13,628
Other(4)	**3,726**	
Discontinued operations		2,237
Consolidated	**$ 19,646**	$ 18,525

(1) Operating income for the period ended March 22, 2008 was restated (see note 2).

(2) After the sale of the U.S. fresh bakery business on January 21, 2009, Dunedin and certain of its affiliates became "integrated" foreign subsidiaries for accounting purposes. On the date of the sale, the cumulative foreign currency translation loss of $34 million associated with Dunedin and certain of its affiliates, which was previously reflected in accumulated other comprehensive loss, was reversed into operating income. Subsequent to January 21, 2009, gains and losses arising from the translation of the USD denominated assets of these integrated foreign subsidiaries will be included in net earnings. As a result, operating income for the first quarter of 2009 included $62 million of foreign exchange losses (2008 – nil) associated with the Company's (excluding Loblaw's) USD denominated cash and short term investments held in integrated foreign subsidiaries.

(3) Total assets as at March 22, 2008 includes the investment in Domtar (Canada) Paper Inc. common shares of $130 million, which is economically hedged as a result of GWL issuing the 3% Exchangeable Debentures.

(4) Other includes cash, cash equivalents and short term investments held by GWL's integrated foreign subsidiaries.

21. Subsequent Events

Subsequent to the end of the first quarter of 2009, Loblaw renewed the $475 million, 364-day revolving committed credit facility that is the source of funding to Loblaw's independent trusts. The new financing structure requires further review to determine if there are implications with respect to the consolidation of VIEs.

Subsequent to the end of the first quarter of 2009, Loblaw announced the introduction of a Dividend Reinvestment Plan (the "Plan") that will enable eligible holders of common shares to automatically reinvest their regular quarterly dividends in additional common shares of Loblaw. The Plan is subject to regulatory approvals. Under the current Plan, dividends by participating shareholders will be reinvested in additional common shares issued from treasury at a three percent discount to the average market price on the applicable dividend payment date. The Company has confirmed its intention to participate in the Plan with respect to approximately 160 million Loblaw common shares owned by the Company.

Subsequent to the end of the first quarter of 2009, Loblaw issued $350 million principal amount of Medium Term Notes, Series 2-A pursuant to its Medium Term Notes, Series 2 program. The notes will pay a fixed rate of 4.85% until maturity on May 8, 2014. The notes are unsecured obligations of Loblaw and rank equally with all other unsecured indebtedness of Loblaw that has not been subordinated. The net proceeds of the offering were added to the general funds of Loblaw and used to repay short term debt, refinance other indebtedness and for general corporate purposes.

Subsequent to the end of the first quarter of 2009, GWL redeemed for cash its Preferred Shares, Series II (see note 15).

Corporate Profile

George Weston Limited is a Canadian public company, founded in 1882, engaged in food processing and distribution. The Company has two reportable operating segments: Loblaw and Weston Foods, and holds cash and short term investments. The Loblaw operating segment, which is operated by Loblaw Companies Limited and its subsidiaries, is Canada's largest food distributor and a leading provider of general merchandise, drugstore, and financial products and services. The Weston Foods operating segment is a leading fresh and frozen baking company in Canada and is engaged in frozen baking and biscuit manufacturing in the United States.

Trademarks

George Weston Limited and its subsidiaries own a number of trademarks. These trademarks are the exclusive property of George Weston Limited and its subsidiary companies. Trademarks where used in this report are in italics.

Investor Relations

Shareholders, security analysts and investment professionals should direct their requests to Mr. Geoffrey H. Wilson, Senior Vice President, at the Company's Executive Office or by e-mail at investor@weston.ca.

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

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

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