Q2
2009

Quarterly Report to Shareholders

George Weston Limited

24 Weeks Ended June 20, 2009

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 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 introduction of innovative and reformulated products or new and renovated stores; 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 including 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.

CONSOLIDATED RESULTS OF OPERATIONS

George Weston Limited's second quarter 2009 basic net loss per common share from continuing operations was $0.05 compared to basic net earnings per common share from continuing operations of $0.60 for the same period in 2008. Included in this loss is a charge of $0.61 per common share related to unrealized foreign exchange losses associated with a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments and a charge of $0.28 per common share related to the extinguishment of a portion of the GWL 12.7% Promissory Notes. Excluding these foreign exchange losses, the loss on the extinguishment of a portion of the GWL 12.7% Promissory Notes and other items specifically identified below and in the MD&A, the Company's performance in the second quarter of 2009 was strong compared to the second quarter of 2008.

Loblaw is progressing in its turnaround efforts, balancing improvements in its food offering, product innovation and customer value while at the same time managing store renovations and infrastructure improvements. 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.

As disclosed previously, the fresh bread and baked goods business in the United States ("U.S. fresh bakery business") was sold during the first quarter of 2009. The results and the gain on the sale of the U.S. fresh bakery business have been reflected separately as discontinued operations in the current and comparative results. Accordingly, all comparisons of continuing operating results below exclude the results of the U.S. fresh bakery business.

The results of Weston Foods' dairy and bottling operations, which were sold in the fourth quarter of 2008, are not reported as discontinued operations, in accordance with Canadian generally accepted accounting principles, 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.

	12 Weeks Ended			24 Weeks Ended		
(unaudited) ($ millions except where otherwise indicated)	**Jun. 20, 2009**	Jun. 14, 2008	Change	**Jun. 20, 2009**	Jun. 14, 2008	Change
Sales	**$ 7,484**	$ 7,324	2.2%	**$ 14,506**	$ 14,159	2.5%
Operating income	**$ 288**	$ 307	(6.2)%	**$ 389**	$ 502	(22.5)%
Operating margin	**3.8%**	4.2%		**2.7%**	3.5%	
Interest expense and other financing charges	**$ 147**	$ 109	34.9%	**$ 184**	$ 133	38.3%
Net earnings (loss) from continuing operations	**$ 4**	$ 87	(95.4)%	**$ (23)**	$ 171	(113.5)%
Net earnings	**$ 4**	$ 118	(96.6)%	**$ 867**	$ 249	248.2%
Basic net (loss) earnings per common share from continuing operations ($)	**$ (0.05)**	$ 0.60	(108.3)%	**$ (0.33)**	$ 1.15	(128.7)%
Basic net (loss) earnings per common share ($)	**$ (0.05)**	$ 0.84	(106.0)%	**$ 6.56**	$ 1.75	274.9%
EBITDA[1]	**$ 437**	$ 449	(2.7)%	**$ 682**	$ 787	(13.3)%
EBITDA margin[1]	**5.8%**	6.1%		**4.7%**	5.6%	
Net debt[1]	**$ 369**	$ 4,549	(91.9)%	**$ 369**	$ 4,549	(91.9)%

Sales in the second quarter of 2009 were $7.5 billion compared to $7.3 billion for the same period in 2008, an increase of 2.2%.

(1) See Non-GAAP Financial Measures on page 21.
(2) To be read in conjunction with "Forward-Looking Statements".

Operating income for the second quarter of 2009 was $288 million compared to $307 million in the same period in 2008, a decrease of 6.2%. Operating margin of 3.8% for the second quarter decreased compared to 4.2% 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 second quarter of 2009 compared to the same period in 2008:

- a charge of $90 million (2008 – nil) related to unrealized foreign exchange losses associated with a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments. The effect on basic net earnings per common share from continuing operations was a charge of $0.61 (2008 – nil);

- income of $11 million (2008 – $13 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 income of $0.05 (2008 – income of $0.05);

- income of $20 million (2008 – a charge of $15 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 $0.10 (2008 – a charge of $0.08);

- nil (2008 – income of $11 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); and

- nil (2008 – income of $7 million) related to the redemption of the remaining GWL 3% Exchangeable Debentures and the sale of the Domtar (Canada) Paper Inc. shares. The effect on the basic net earnings per common share from continuing operations was income of nil (2008 – $0.04).

After the sale of the U.S. fresh bakery business on January 21, 2009, Dunedin Holdings S.à r.l., a subsidiary of GWL, and certain of its affiliates became "integrated" foreign subsidiaries for accounting purposes. Subsequent to January 21, 2009, gains and losses arising from the translation of the USD denominated assets of these integrated foreign subsidiaries have been and will continue to be included in net earnings. As a result, operating income for the second quarter of 2009 included $90 million (2008 – nil) 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 second quarter of 2009 was strong compared to the same period in 2008, with growth at Loblaw being partially offset by a decrease at Weston Foods. Second quarter results at Loblaw were positively influenced by its focus on initiatives to improve buying synergies, disciplined vendor management and the efficiency of Loblaw's transportation logistics, as well as lower labour and warehousing costs, sales mix, successful promotional campaigns and inflation. The positive impact of these factors was partially offset by costs related to Loblaw's previously announced incremental investment in information technology and supply chain. The decrease at Weston Foods was mainly due to higher restructuring costs, higher pension costs and the timing of certain expenses. Pricing and other actions mitigated the impact of higher costs related to certain ingredients, primarily flour and oils, and other input costs.

Interest expense and other financing charges for the second quarter of 2009 increased 34.9% to $147 million from $109 million in 2008, primarily due to the loss on the extinguishment of a portion of the GWL 12.7% Promissory Notes of $41 million (2008 – nil), which resulted in a basic net earnings per common share charge of $0.28 (2008 – nil), and an increased non-cash charge related to the accounting for GWL's forward sale agreement of 9.6 million Loblaw common shares of $33 million (2008 – $27 million), which resulted in a basic net earnings per common share non-cash charge of $0.19 (2008 – $0.15).

The effective income tax rate increased to 43.3% in the second quarter of 2009 compared to 28.3% in the second quarter of 2008. The increase was mainly the result of the foreign exchange losses associated with a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments.

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

The Company's net debt (excluding Exchangeable Debentures)[(1)] at June 20, 2009 was $369 million compared to $4,549 million at June 14, 2008. Of the $4,180 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 capital securities by Loblaw in the third quarter of 2008 accounted for $218 million, and the proceeds from securitization of *PC* Bank receivables accounted for $300 million. These changes were offset in part by the redemption of capital securities by GWL for $265 million. All other factors, including foreign exchange, accounted for $368 million.

OPERATING SEGMENTS

Weston Foods

Weston Foods sales for the second quarter of 2009 of $395 million decreased 21.2% compared to the second quarter of 2008. The sale of the dairy and bottling operations in the fourth quarter of 2008 negatively impacted sales growth by approximately 27.4%, while foreign currency translation and the timing of Easter positively impacted sales growth by approximately 4.4% and 0.7%, respectively. The combined effect of price increases across key product categories in 2008 and changes in sales mix was a positive impact of 1.5% for the second quarter of 2009. Volume declined 42.8% for the second quarter of 2009 when compared to the same period in 2008, of which 43.0% was due to the sale of the dairy and bottling operations, while the timing of Easter had a positive impact of 0.6% on volumes.

Weston Foods operating income for the second quarter of 2009 was $56 million compared to $45 million in the same period in 2008. Operating margin for the second quarter was 14.2% compared to 9.0% in the same period in 2008. Excluding the impact of the effect of stock-based compensation net of equity derivatives, the commodity derivatives fair value adjustment, the income of Weston Foods' dairy and bottling operations, and the redemption of the remaining outstanding GWL 3% Exchangeable Debentures and the sale of the Domtar (Canada) Paper Inc. shares, all of which are more fully described in the MD&A, Weston Foods operating income decreased mainly due to higher restructuring costs, higher pension costs and the timing of certain expenses. 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, productivity improvements and the benefits realized from the continued focus on cost reduction initiatives. Pricing and other actions mitigated the impact of higher costs related to certain ingredients, primarily flour and oils, and other input costs.

Loblaw

Loblaw sales for the second quarter of 2009 increased 2.8% or $196 million to $7.2 billion compared to the second quarter of 2008. Same-store sales in the quarter increased by 2.5%. Sales and same-store sales growth in the second quarter of 2009 were positively impacted by approximately 0.8% due to the shift in Easter holiday sales into the second quarter of 2009. Sales growth was negatively impacted by 0.5% due to the sale of Loblaw's food service business in the fourth quarter of 2008. In the second quarter, sales growth in both food and drugstore were strong, sales growth in apparel was modest while sales of other general merchandise continued to decline due to lower discretionary consumer spending and reductions in assortment and square footage. Gas bar sales declined in the second quarter as a result of lower retail gas prices, despite moderate volume growth.

Loblaw operating income for the second quarter of 2009 was $322 million compared to $262 million in the same period in 2008, an increase of 22.9%. Loblaw operating margin was 4.5% for the second quarter compared to 3.7% in the same period in 2008. Excluding the impact of the effect of stock-based compensation net of equity forwards, operating income and operating margin improved, positively influenced by Loblaw's focus on initiatives to improve buying synergies, disciplined vendor management and the efficiency of Loblaw's transportation logistics, as well as lower labour and warehousing costs, sales mix, successful promotional campaigns and inflation. The positive impact of these factors was partially offset by costs related to the previously announced incremental investment in information technology and supply chain.

(1) See non-GAAP financial measures on page 21.

Subsequent to the end of the second quarter of 2009, Loblaw announced that it has entered into an agreement to acquire all the common shares of T&T Supermarket Inc. ("T&T"), Canada's largest Asian food retailer, subject to consents and regulatory approvals. The purchase price is $225 million with certain adjustments to be made at closing. $191 million of the purchase price will be funded by cash and the remaining through preferred shares issued by T&T, the value of which will be tied to the future performance of T&T. Closing of the transaction is expected prior to the end of the fiscal year. It is expected that the acquisition will be accretive to Loblaw's earnings in the first year following closing.

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. In addition, the Company's results will be subject to earnings volatility caused by the impact of changes in U.S. foreign exchange currency fluctuations on a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments. The Company is continuing to assess its strategic options for the deployment of the significant holdings of cash and short term investments generated from the divestitures of the Dairy business in 2008 and the U.S. fresh bakery business in January 2009.

Weston Foods operating results for the first half of 2009 have been strong, however the second half of 2009 is expected to be challenging. Unfavourable economic conditions are expected to put pressure on both margins and volumes for the remainder of 2009. To help offset these economic pressures, the Company is continuing its efforts to reduce cost through improved efficiencies and productivity and by optimizing the product mix to meet changing consumer buying preferences in difficult economic times.

Loblaw's second quarter earnings improvement was largely driven by cost and gross margin, but that trend is not expected to continue. Loblaw expects sales and margins to be significantly challenged for the remainder of 2009, considering declining market volumes, decreasing inflation, intensified competitive activity and a substantial ramp up in infrastructure and renovation programs.

[signed]

W. Galen Weston
Chairman and President

Toronto, Canada
July 30, 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 24 to 40 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 July 30, 2009, unless otherwise noted.

CONSOLIDATED RESULTS OF OPERATIONS

In accordance with Canadian GAAP, the Company is required to report separately the results of continuing operations and those operations that meet the criteria under Canadian GAAP for presentation as discontinued operations.

As disclosed previously, the fresh bread and baked goods business in the United States ("U.S. fresh bakery business") was sold during the first quarter of 2009. The results and the gain on the sale of the U.S. fresh bakery business have been reflected separately as discontinued operations in the current and comparative results. Accordingly all comparisons of continuing operating results below exclude the results of the U.S. fresh bakery business.

The results of Weston Foods' dairy and bottling operations, which were sold in the fourth quarter of 2008, are not reported as discontinued operations, in accordance with Canadian GAAP, 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 second quarter of 2009 increased 2.2%, or $160 million, to $7.5 billion from $7.3 billion in the second quarter of 2008. On a year-to-date basis, sales increased 2.5% to $14.5 billion. The impact of foreign currency translation on the Weston Foods operating segment positively impacted consolidated sales growth by approximately 0.3% for the second quarter of 2009 and 0.5% on a year-to-date basis. When compared to the same period last year, the Company's consolidated sales for the second quarter of 2009 were impacted by each of its reportable operating segments as follows:

- Negatively by 1.4% as a result of a sales decrease of 21.2% at Weston Foods. The sale of the dairy and bottling operations in the fourth quarter of 2008 negatively impacted sales growth by approximately 27.4%, while foreign currency translation and the timing of Easter positively impacted sales growth by approximately 4.4% and 0.7%, respectively. The combined effect of price increases across key product categories and changes in sales mix was a positive impact of 1.5% for the second quarter of 2009. Volume declined 42.8% for the second quarter of 2009 when compared to the same period in 2008, of which 43.0% was due to the sale of the dairy and bottling operations, while the timing of Easter had a positive impact of 0.6% on volumes.

- Positively by 2.7% due to sales growth of 2.8% at Loblaw. Same-store sales in the quarter increased by 2.5%. Sales and same-store sales growth in the second quarter of 2009 were positively impacted by approximately 0.8% due to the shift in Easter holiday sales into the second quarter of 2009. Sales growth was negatively impacted by 0.5% due to the sale of Loblaw's food service business in the fourth quarter of 2008. In the second quarter, sales growth in both food and drugstore were strong, sales growth in apparel was modest while sales of other general merchandise continued to decline due to lower discretionary

(1) See non-GAAP financial measures on page 21.

consumer spending and reductions in assortment and square footage. Gas bar sales declined in the second quarter as a result of lower retail gas prices, despite moderate volume growth.

Operating Income Operating income for the second quarter of 2009 was $288 million compared to $307 million in the second quarter of 2008, a decrease of 6.2%. Operating margin of 3.8% for the second quarter of 2009 decreased compared to 4.2% for the same period in 2008. When compared to the same period last year, the Company's change in operating income for the second quarter of 2009 was impacted positively by 3.6% due to an increase in operating income at Weston Foods, positively by 19.5% due to an increase in operating income at Loblaw, and negatively by 29.3% due to the unrealized foreign exchange losses associated with a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments.

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

- a charge of $90 million (2008 – nil) related to unrealized foreign exchange losses associated with a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments;
- income of $11 million (2008 – $13 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 $20 million (2008 – charge of $15 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;
- nil (2008 – income of $11 million) related to the income of Weston Foods' dairy and bottling operations; and
- nil (2008 – income of $7 million) related to the redemption of the remaining GWL 3% Exchangeable Debentures and the sale of the Domtar (Canada) Paper Inc. shares.

Year-to-date operating income for 2009 was $389 million compared to $502 million in 2008, a decrease of 22.5%. Operating margin for the first half of 2009 was 2.7% compared to 3.5% in 2008.

The year-over-year change in the following items influenced operating income for the first half of 2009 compared to the first half of 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;
- a charge of $152 million (2008 – nil) related to foreign exchange losses associated with a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments;
- 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 $12 million (2008 – $25 million) related to the effect of stock-based compensation net of equity derivatives of both GWL and Loblaw;
- income of $29 million (2008 – charge of $4 million) related to the commodity derivatives fair value adjustment at Weston Foods;
- nil (2008 – income of $23 million) related to the income of Weston Foods' dairy and bottling operations; and
- nil (2008 – income of $7 million) related to the redemption of the remaining outstanding GWL 3% Exchangeable Debentures and the sale of the Domtar (Canada) Paper Inc. shares.

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 and included in operating income. Subsequent to January 21, 2009, gains and losses arising from the translation of the USD denominated assets of integrated foreign subsidiaries have been and will continue to be included in net earnings. As a result, operating income for the second quarter and year-to-date 2009 included $90 million and $152 million, respectively, of foreign exchange losses associated with the Company's (excluding Loblaw's) USD denominated cash and short term investments held in integrated foreign subsidiaries. Also included in the year-to-date 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 both the second quarter and year-to-date 2009 was strong compared to 2008.

EBITDA[(1)] decreased by $12 million, or 2.7%, to $437 million in the second quarter of 2009 compared to $449 million in the second quarter of 2008. EBITDA margin[(1)] for the second quarter decreased to 5.8% from 6.1% in 2008, negatively impacted by unrealized foreign exchange losses on a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments, and partially offset by higher EBITDA margins[(1)] at both Weston Foods and Loblaw. On a year-to-date basis EBITDA[(1)] decreased $105 million or 13.3% to $682 million compared to $787 million in 2008. Year-to-date EBITDA margin[(1)] decreased to 4.7% from 5.6% in 2008, negatively impacted by foreign exchange losses on a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments and lower EBITDA margins[(1)] at Weston Foods, partially offset by higher EBITDA margins[(1)] at Loblaw.

Interest Expense and Other Financing Charges Interest expense and other financing charges for the second quarter of 2009 increased by $38 million, or 34.9%, to $147 million from $109 million in the second quarter of 2008. The change was mainly the result of:

- a loss of $41 million on the extinguishment of a portion of the GWL 12.7% Promissory Notes, due in 2030. During the second quarter of 2009, GWL entered into an agreement to repurchase principal of $140 million and interest coupons of $48 million from a single counterparty for an aggregate purchase price of $57 million; and

- a non-cash charge of $33 million compared to $27 million in 2008 which was recorded in other financing charges, representing 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.

Year-to-date interest expense and other financing charges increased by $51 million to $184 million from $133 million in 2008. This increase was primarily due to the loss of $41 million on the extinguishment of a portion of the GWL 12.7% Promissory Notes and lower non-cash income of $7 million (2008 – $24 million) related to the fair value adjustment of GWL's forward sale agreement for 9.6 million Loblaw common shares.

Income Taxes The effective income tax rate increased to 43.3% in the second quarter of 2009 compared to 28.3% in the second quarter of 2008 and year-to-date 2009 increased to 56.1% compared to 32.2% in 2008. The increase in the second quarter of 2009 when compared to the same period in 2008 was mainly the result of the foreign exchange losses associated with a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments. The year-to-date 2009 increase in the effective income tax rate when compared to the same period in 2008 was also impacted by the non-deductible reversal of the cumulative foreign currency translation loss associated with Dunedin and certain of its affiliates.

Net Earnings (Loss) from Continuing Operations Net earnings from continuing operations for the second quarter of 2009 were $4 million compared to $87 million in 2008 and on a year-to-date basis, net loss from continuing operations was $23 million compared to net earnings from continuing operations of $171 million in 2008. Basic net loss per common share from continuing operations for the second quarter of 2009 was $0.05 compared to basic net earnings per common share from continuing operations of $0.60 in 2008 and year-to-date 2009 basic net loss per common share from continuing operations was $0.33 compared to basic net earnings per common share from continuing operations of $1.15 in 2008.

(1) See non-GAAP financial measures on page 21.

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

- a $0.61 per common share charge (2008 – nil) related to unrealized foreign exchange losses associated with a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments;
- a $0.28 per common share charge (2008 – nil) related to the extinguishment of a portion of the GWL 12.7% Promissory Notes;
- $0.05 per common share income (2008 – $0.05) related to the effect of stock-based compensation net of equity derivatives of both GWL and Loblaw;
- $0.10 per common share income (2008 – $0.08 per common share charge) related to the commodity derivatives fair value adjustment at Weston Foods;
- a $0.19 per common share non-cash charge (2008 – $0.15) related to the accounting for GWL's forward sale agreement for 9.6 million Loblaw common shares;
- nil per common share (2008 – $0.02 per common share income) related to the income tax effect of the fair value adjustment of the Domtar (Canada) Paper Inc. shares, net of the re-measurement of the GWL 3% Exchangeable Debentures;
- nil per common share (2008 – $0.04 per common share income) related to the redemption of the remaining outstanding GWL 3% Exchangeable Debentures and the sale of the Domtar (Canada) Paper Inc. shares; and
- nil per common share (2008 – $0.06 per common share income) related to the income of Weston Foods' dairy and bottling operations.

The 2009 year-to-date basic net loss per common share from continuing operations compared to the 2008 year-to-date basic net earnings per common share from continuing operations was affected 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 $1.02 per common share charge (2008 – nil) related to foreign exchange losses associated with a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments;
- a $0.28 per common share charge (2008 – nil) related to the extinguishment of a portion of the GWL 12.7% Promissory Notes;
- 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 $0.07 per common share charge (2008 – $0.16) related to the effect of stock-based compensation net of equity derivatives of both GWL and Loblaw;
- $0.15 per common share income (2008 – $0.02 per common share charge) related to the commodity derivatives fair value adjustment at Weston Foods;
- $0.04 per common share non-cash income (2008 – $0.14) related to the accounting for GWL's forward sale agreement for 9.6 million Loblaw common shares;
- nil per common share (2008 – $0.03 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;
- nil per common share (2008 – $0.04 per common share income) related to the redemption of the remaining outstanding GWL 3% Exchangeable Debentures and the sale of the Domtar (Canada) Paper Inc. shares; and
- nil per common share (2008 – $0.12 per common share income) related to the income of Weston Foods' dairy and bottling operations.

Discontinued Operations Net earnings from discontinued operations for the second quarter of 2009 were nil compared to $31 million in the same period in 2008 and on a year-to-date basis, net earnings from discontinued operations were $890 million compared to $78 million in 2008. Included in discontinued operations year-to-date 2009 was a $921 million gain on the sale of the U.S. fresh bakery business ($883 million after income taxes), 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 second quarter of 2009 were $4 million compared to $118 million in the same period in 2008 and on a year-to-date basis, net earnings increased $618 million to $867 million from $249 million in 2008. Basic net loss per common share for the second quarter of 2009 was $0.05 compared to basic net earnings per common share of $0.84 in 2008, including earnings from discontinued operations per common share of nil compared to $0.24 in the same period in 2008. Year-to-date 2009 basic net earnings per common share of $6.56 increased $4.81 compared to $1.75 in 2008, including earnings from discontinued operations per common share of $6.89 compared to $0.60 in the same period in 2008.

REPORTABLE OPERATING SEGMENTS
Weston Foods

Sales Weston Foods sales for the second quarter of 2009 of $395 million decreased 21.2% compared to the same period in 2008. The sale of the dairy and bottling operations in the fourth quarter of 2008 negatively impacted sales growth by approximately 27.4%, while foreign currency translation and the timing of Easter positively impacted sales growth by approximately 4.4% and 0.7%, respectively. The combined effect of price increases across key product categories and changes in sales mix was a positive impact of 1.5% for the second quarter of 2009. Volume declined 42.8% for the second quarter of 2009 compared to the same period in 2008, of which 43.0% was due to the sale of the dairy and bottling operations, while the timing of Easter had a positive impact of 0.6% on volumes.

On a year-to-date basis, sales of $832 million decreased 17.8% compared to the same period in 2008. The sale of the dairy and bottling operations in the fourth quarter of 2008 negatively impacted sales growth by approximately 28.0%, while foreign currency translation positively impacted sales growth by approximately 6.5%. The combined effect of price increases across key product categories and changes in sales mix was a positive impact of 3.8% for year-to-date 2009. Volume declined 43.0% on a year-to-date basis, of which 42.9% was due to the sale of the dairy and bottling operations.

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

Fresh bakery sales decreased approximately 0.6% in the second quarter of 2009 compared to the same period in 2008. On a year-to-date basis, sales increased 2.7% compared to the same period in 2008, driven by price increases in key product categories combined with changes in sales mix. Volumes in the second quarter of 2009 were flat and volumes decreased slightly year-to-date mainly due to declines in certain categories offset by growth led by the *D'Italiano* brand and private label products. The introduction of new products such as *D'Italiano Thintini* and *Country Harvest Vitality,* contributed positively to branded sales during the second quarter and year-to-date 2009.

Frozen bakery sales increased approximately 2.2% in the second quarter of 2009 and 4.0% year-to-date compared to the same periods in 2008, driven by price increases combined with changes in sales mix. The timing of sales related to the Easter holiday positively impacted sales growth in the second quarter of 2009. Overall, volume in the second quarter and year-to-date decreased slightly compared to the same periods in 2008.

Biscuit sales, principally wafers, ice-cream cones, cookies and crackers, increased approximately 6.4% in the second quarter of 2009 and 4.6% year-to-date compared to the same periods in 2008 driven by price increases combined with changes in sales mix and volume growth.

Operating Income Weston Foods operating income was $56 million in the second quarter of 2009 compared to $45 million in the same period in 2008. Operating margin was 14.2% for the second quarter of 2009 compared to 9.0% in 2008.

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

- income of $4 million (2008 – $3 million) related to the effect of stock-based compensation net of equity derivatives;
- income of $20 million (2008 – charge of $15 million) related to the commodity derivatives fair value adjustment;
- nil (2008 – income of $11 million) related to the income of Weston Foods' dairy and bottling operations; and
- nil (2008 – income of $7 million) related to the redemption of the remaining GWL 3% Exchangeable Debentures and the sale of the Domtar (Canada) Paper Inc. shares.

On a year-to-date basis, Weston Foods operating income decreased 66.3% to $29 million from $86 million in 2008. Operating margin for 2009 was 3.5% compared to 8.5% in 2008.

The year-over-year change in the following items influenced operating income for the first half of 2009 compared to the first half 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;
- nil (2008 – charge of $10 million) related to the effect of stock-based compensation net of equity derivatives;
- income of $29 million (2008 – charge of $4 million) related to the commodity derivatives fair value adjustment;
- nil (2008 – income of $23 million) related to the income of Weston Foods' dairy and bottling operations; and
- nil (2008 – income of $7 million) related to the redemption of the remaining GWL 3% Exchangeable Debentures and the sale of the Domtar (Canada) Paper Inc. shares.

Weston Foods is exposed to commodity price fluctuations primarily as a result of 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 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 for financial reporting purposes as cash flow hedges of anticipated future raw material purchases, and accordingly hedge accounting does not apply. As a result, changes in the fair value of these derivatives, which include realized and unrealized gains and losses related to future purchases of raw materials, are recorded in operating income. Weston Foods recorded income of $20 million (2008 – charge of $15 million) during the second quarter of 2009, and on a year-to-date basis income of $29 million (2008 – charge of $4 million), related to the fair value adjustment of exchange traded commodity derivatives that were not designated within a hedging relationship. Despite the impact of accounting for these commodity derivatives on the Company's reported results, the derivatives have the economic impact of largely mitigating the associated risks arising from price fluctuations in the underlying commodities.

Subsequent to the disposition of its 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.

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, in accordance with Canadian GAAP, 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 second quarter of 2008 and on a year-to-date basis, the dairy and bottling operations generated sales of $134 million and $273 million, operating income of $11 million and $23 million and earnings before interest, income taxes, depreciation and amortization of $13 million and $26 million, respectively, for Weston Foods.

Weston Foods operating income for the second quarter and year-to-date 2009 were impacted by changes in the following items when compared to the same periods in 2008: the effect of stock-based compensation net of equity derivatives; the commodity derivatives fair value adjustment; income of Weston Foods' dairy and bottling operations; and income related to the redemption of the remaining GWL 3% Exchangeable Debentures and the sale of the Domtar (Canada) Paper Inc. shares. Operating income on a year-to-date basis was negatively impacted by the non-cash goodwill impairment in Weston Foods' biscuits, cookies, cones and wafers business. Excluding these specific items, operating income in the second quarter of 2009 decreased mainly due to higher restructuring costs, higher pension costs and the timing of certain expenses, while on a year-to-date basis operating income increased compared to the same period in 2008. Second quarter and year-to-date operating income were 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 a continued focus on cost reduction initiatives.

Gross margin increased in the second quarter of 2009 and on a year-to-date basis compared to the same period in 2008, mainly as a result of the sale of the dairy and bottling operations and the positive impact of the commodity derivatives fair value adjustment. Excluding the results of the dairy and bottling operations in 2008 and the impact of the commodity derivatives fair value adjustment, gross margin was flat both in the second quarter of 2009 and on a year-to-date basis due to the impact of higher costs related to certain ingredients, primarily flour, oils and other input costs, which were offset by pricing and other actions, as well as productivity improvements and other cost reduction initiatives.

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 second quarter of 2009, a charge of $5 million (2008 – $2 million) and on a year-to-date basis a charge of $7 million (2008 – $2 million), were recognized in operating income related to these restructuring activities.

EBITDA(1) increased by $11 million to $70 million in the second quarter of 2009 compared to $59 million in the second quarter of 2008. On a year-to-date basis EBITDA(1) decreased by $58 million, or 51.3%, to $55 million compared to $113 million in 2008. EBITDA margin(1) increased in the second quarter of 2009 to 17.7% from 11.8% in 2008, mainly due to the sale of the dairy and bottling operations and the impact of the commodity derivatives fair value adjustment, and decreased on a year-to-date basis to 6.6% from 11.2% in 2008, mainly due to the goodwill impairment charge taken in the first quarter of 2009.

Loblaw

Sales Sales for the second quarter increased by 2.8% to $7.2 billion compared to $7.0 billion in the second quarter of 2008.

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

- same-store sales growth of 2.5%;
- a shift in Easter holiday sales into the second quarter of 2009, which resulted in higher sales and same-store sales growth of approximately 0.8% during the second quarter;
- 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;
- sales growth in apparel was modest while sales growth of other general merchandise continued to decline due to lower discretionary consumer spending 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 7.4% as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI") and lower than the first quarter of 2009. In the second quarter of 2008, Loblaw experienced modest 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
- during the second quarter of 2009, 4 new corporate and franchised stores were opened and 5 were closed, resulting in a net decrease of 0.1 million square feet, or 0.1%. During the last four quarters, net retail square footage remained flat, with 32 new corporate and franchised stores opening, including stores that underwent conversions and major expansions, and 39 corporate and franchised stores closing.

On a year-to-date basis, sales increased by 2.9%, to $14.0 billion. The following factors further explain the change in year-to-date sales over the same period in the prior year:

- same-store sales growth of 2.4%;
- sales growth was negatively impacted by 0.5% due to the sale of Loblaw's food service business in the fourth quarter of 2008;
- 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 0.2%; and
- sales and same-store sales growth were negatively impacted by 0.3% due to a strike in certain *Maxi* stores in Quebec. These stores reopened in the first quarter of 2009, except for two stores that closed permanently.

Operating Income Operating income was $322 million for the second quarter of 2009 compared to $262 million in the same period in 2008, an increase of 22.9%. Operating margin was 4.5% for the second quarter of 2009 compared to 3.7% in 2008.

(1) See non-GAAP financial measures on page 21.

Gross profit increased by $105 million to $1,689 million in the second quarter of 2009 compared to $1,584 million in 2008. Gross profit as a percentage of sales was 23.4% in the second quarter of 2009 compared to 22.5% in 2008. In the second quarter of 2009, initiatives to improve buying synergies, disciplined vendor management and the efficiency of transportation logistics contributed to the increase in gross profit and gross profit as a percentage of sales. Sales mix, successful promotional campaigns and inflation also contributed to the improvement.

The increase in operating income was primarily due to the increase in gross profit. Partially offsetting the improvement in operating income was lower income of $7 million (2008 − $10 million) related to the effect of stock-based compensation net of equity forwards, a lower gain of $8 million (2008 − $14 million) from the sale of financial investments by *President's Choice* Bank ("*PC* Bank"), a wholly owned subsidiary of Loblaw, and incremental costs of $13 million related to Loblaw's previously announced investment in information technology and supply chain. The non-cash income on equity forwards resulted from an increase in Loblaw's share price during the second quarter of 2009.

Cost reduction initiatives contributed to the improvement in Loblaw operating income in the first half of 2009 compared to the prior year. Specifically, labour and warehousing costs decreased as a result of labour productivity improvements and efficiency enhancements at distribution centres.

EBITDA[(1)] increased by $67 million, or 17.2%, to $457 million in the second quarter of 2009 compared to $390 million in the second quarter of 2008. EBITDA margin[(1)] increased in the second quarter of 2009 to 6.3% from 5.5% in the comparable period of 2008. The increases in EBITDA[(1)] and EBITDA margin[(1)] were due to higher sales and the increase in gross profit, partially offset by lower net stock-based compensation income and a lower gain on the sale of financial investments by *PC* Bank.

Year-to-date operating income for 2009 increased by $130 million, or 31.3%, to $546 million, and resulted in an operating margin of 3.9% compared to 3.1% in the comparable period in 2008.

Year-to-date gross profit increased by $229 million to $3,303 million compared to $3,074 in 2008. Year-to-date gross profit as a percentage of sales was 23.7% compared to 22.7% in 2008. In the first half of 2009, initiatives to improve buying synergies, disciplined vendor management and the efficiency of transportation logistics contributed to the increase in gross profit and gross profit as a percentage of sales. Sales mix, successful promotional campaigns and inflation also contributed to the improvement.

Included in 2009 year-to-date operating income is a charge of $12 million (2008 − $15 million) related to the effect of stock-based compensation net of equity forwards. The non-cash charge on equity forwards resulted from a decrease in Loblaw's share price during the first half of 2009. Partially offsetting the improvement in operating income were costs of $36 million related to Loblaw's previously announced investment in information technology and supply chain and a lower gain on the sale of financial investments by *PC* Bank of $8 million (2008 − $14 million).

Year-to-date EBITDA[(1)] increased by $139 million, or 20.6% to $813 million compared to $674 million in the comparable period of 2008. EBITDA margin[(1)] improved to 5.8% compared to 5.0% for the same period in 2009. The year-to-date increases in EBITDA[(1)] and EBITDA margin[(1)] were due to higher sales, the improvement in gross profit, and lower stock-based compensation costs, partially offset by the previously announced incremental investment in information technology and supply chain and a lower gain on the sale of financial investments by *PC* Bank.

CONSOLIDATED FINANCIAL CONDITION

Financial Ratios The Company's net debt[(1)] to equity ratio at the end of the second quarter of 2009 was 0.05:1 compared to 0.88:1 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[(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 second quarter of 2009 compared to the end of the second 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 shareholders' equity resulting mainly from the gain on the sale of the U.S. fresh bakery business. In addition, this ratio was

(1) See Non-GAAP Financial Measures on page 21.

positively impacted when compared to the second 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 second quarter of 2009 decreased to 1.9 times compared to 2.7 times in the second quarter of 2008. On a year-to-date basis the interest coverage decreased to 2.0 times in 2009 compared to 3.5 times in 2008 primarily due to lower operating income and higher interest expense and other financing charges. The increase in interest expense and other financing charges for the second quarter and year-to-date 2009 resulted mainly from the loss on the extinguishment of a portion of the GWL 12.7% Promissory Notes and the higher non-cash charge resulting from the fair value adjustment of GWL's forward sale agreement for 9.6 million Loblaw common shares.

The Company's rolling year return on average net assets(1) at the end of the second quarter of 2009 was 10.1% compared to 8.6% at the end of the comparable period in 2008 and 11.2% at year end 2008. The Company's rolling year return on average common shareholders' equity was 8.1% at the end of the second quarter of 2009 compared to 8.7% at the end of the second quarter of 2008 and 13.4% for the year end 2008 return.

Capital Securities On April 1, 2009, the Company redeemed the 10.6 million GWL preferred shares, Series II, for cash of $25.00 per share, or $265 million in aggregate, plus accrued and unpaid dividends to but excluding April 1, 2009.

Of the 12.0 million Loblaw second preferred shares, Series A that are authorized, 9.0 million were outstanding at the end of the second quarter of 2009.

The Loblaw second preferred shares, Series A, and the GWL preferred shares, Series II, up to the date of redemption, are presented as capital securities and are included in liabilities. Dividends on these preferred shares are presented in interest expense and other financing charges in the consolidated statements of earnings.

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 second quarter of 2009.

During the second 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 half 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 July 1, 2009, 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 were paid as declared by GWL's Board of Directors. On June 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 second quarter of 2009 was maintained at the 2008 quarterly dividend rate.

Subsequent to the end of the second quarter of 2009, 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 October 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 September 15, were also declared.

(1) See Non-GAAP Financial Measures on page 21.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities of Continuing Operations Second quarter 2009 cash flows from operating activities of continuing operations were $846 million compared to $346 million in the comparable period in 2008. On a year-to-date basis, cash flows from operating activities of continuing operations were $470 million compared to $37 million in 2008. The increases in cash flows from operating activities of continuing operations for the second quarter and year-to-date 2009 were primarily due to the change in non-cash working capital as a result of the change in inventory and accounts payable and accrued liabilities. Also impacting cash flows from operating activities for the second quarter and year-to-date 2009 was a payment of $38 million to a counterparty to extinguish a portion of the liability associated with the Loblaw equity forwards.

Cash Flows used in Investing Activities of Continuing Operations Second quarter 2009 cash flows used in investing activities of continuing operations were $341 million compared to $356 million in 2008. On a year-to-date basis, cash flows used in investing activities of continuing operations were $1,147 million compared to $249 million in 2008. The second quarter 2009 decrease in cash flows used in investing activities of continuing operations is due to the decrease in cash flows used in short term investments and security deposits, partially offset by the decrease in cash flows due to the sale of the Domtar investment that occurred in the second quarter of 2008, which funded the retirement of the Weston 3% Exchangeable Debentures, which is included in cash flows from financing activities of continuing operations and an increase in fixed asset purchases. The year-to-date 2009 increase in cash flows used in investing activities of continuing operations is primarily due to the increase in cash flows used in short term investments, the decrease in cash flows due to the sale of the Domtar investment that occurred in the second quarter of 2008, which funded the retirement of the Weston 3% Exchangeable Debentures, which is included in cash flows used in financing activities of continuing operations and an increase in fixed asset purchases, partially offset by the increase in cash flows from credit card receivables after securitization and the decrease in security deposits. The year-to-date 2009 change in cash flows used in short term investments primarily reflects the Company's investment of the proceeds from the sale of the U.S. fresh bakery business. Capital investment for the second quarter of 2009 amounted to $210 million (2008 – $94 million) and year-to-date amounted to $347 million (2008 – $212 million).

Cash Flows (used in) from Financing Activities of Continuing Operations Second quarter 2009 cash flows used in financing activities of continuing operations of $639 million compared to $286 million in 2008. On a year-to-date basis, cash flows used in financing activities of continuing operations were $640 million compared to cash flows from financing activities of continuing operations of $80 million in 2008. The second quarter and year-to-date 2009 increases in cash flows used in financing activities of continuing operations were due to the repayment of short term debt and the redemption of GWL's 10.6 million preferred shares, Series II for $265 million, partially offset by increases in cash flows from long term debt due to a decrease in repayments.

During the first quarter of 2009, Loblaw repaid its $125 million 5.75% Medium Term Notes ("MTN"), and GWL repaid its $250 million 5.90% MTN, both of which matured.

During the second quarter of 2009, Loblaw issued $350 million principal amount of 5 year unsecured MTNs, Series 2-A pursuant to its MTN, Series 2 Program. Interest on the notes is payable semi-annually at a fixed rate of 4.85%. The notes are unsecured obligations of Loblaw and are redeemable at the option of Loblaw.

During the second quarter of 2009, Loblaw commenced a Dividend Reinvestment Plan ("DRIP"). Under the terms of the DRIP, eligible holders of common shares may elect to automatically reinvest their regular quarterly dividends in additional common shares of Loblaw without incurring any commissions, service charges or brokerage fees. The Company has elected to participate in the Plan with respect to approximately 160 million Loblaw common shares owned by the Company. As a result of the common shares to be issued under the DRIP, the Company's proportional ownership of Loblaw may change. On July 1, 2009, Loblaw issued 1,163,201 common shares from treasury under the DRIP at a three percent (3%) discount to market, resulting in net cash savings of approximately $6 million to the Company.

Also during the second quarter of 2009, GWL entered into an agreement to repurchase a portion of the 12.7% Promissory Notes, due 2030. Principal of $140 million and interest coupons of $48 million were repurchased from a single counterparty subsequent to the end of the second quarter of 2009 for an aggregate purchase price of $57 million. This has resulted in the extinguishment of a portion of the original liability and the recognition of a pre-tax loss of $41 million (after-tax loss of $36 million) recorded in interest expense and other financing charges. With this repurchase, the Company is now in a position where it can exercise its right, in accordance with the terms of the Promissory Notes, to purchase the outstanding notes and coupons at the price prescribed by the Promissory Notes.

Net Debt (excluding Exchangeable Debentures)[(1)] In the first quarter of 2009, the Company revised its definition of net debt[(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[(1)] decreased to $369 million as at June 20, 2009 from $4,549 million at June 14, 2008. Of the $4,180 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 capital securities by Loblaw in the third quarter of 2008 accounted for $218 million, and the proceeds from securitization of *PC* Bank receivables accounted for $300 million. These changes were offset in part by the redemption of capital securities by GWL for $265 million. All other factors including foreign exchange rates accounted for $368 million.

During the first half of 2009, net debt[(1)] decreased by $2,882 million, primarily due to the proceeds from the sale of Weston Foods' U.S. fresh bakery business and the proceeds from securitization of *PC* Bank receivables, which were offset in part by the redemption of capital securities by GWL. During the first half of 2008, net debt (excluding Exchangeable Debentures)[(1)] increased by $258 million, primarily due to an increase in short term debt.

Sources of Liquidity From time to time, *PC* Bank securitizes credit card receivables through the sale of a portion of the total interest in these receivables to independent trusts. 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 renewal during the third quarter of 2009. 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 renewal or other 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.

Loblaw expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against its existing credit facility will enable it 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 has traditionally obtained its long term financing primarily through a medium term notes program. Loblaw may refinance maturing long term debt with medium term notes if market conditions are appropriate or it may consider other alternatives.

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.

(1) See non-GAAP financial measures on page 21.

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.

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

The Company (excluding Loblaw) expects that cash and cash equivalents, short term investments and future operating cash flows will enable it 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 second quarter of 2009 was $387 million (2008 – $383 million) including $149 million (2008 – $159 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 − 15%) of the principal amount of the loans outstanding at any point in time. At the end of the second quarter of 2009, $66 million (2008 – $66 million) was outstanding as a standby letter of credit. This standby letter of credit has never been drawn upon.

During the second quarter of 2009, the $475 million, 364-day revolving committed credit facility that is the source of funding to the independent trusts was renewed. The new financing structure has been reviewed and Loblaw determined that there were no additional VIEs to consolidate as a result of this financing.

Equity Forward Contracts During the second quarter of 2009, Loblaw paid $38 million to a counterparty to terminate a portion of the equity forwards representing 1.6 million shares, which led to the extinguishment of a corresponding portion of the associated liability. As a result, at the end of the second quarter of 2009, Loblaw had cumulative equity forwards to buy 3.2 million (2008 – 4.8 million) of its common shares at a cumulative average forward price of $53.82 (2008 – $54.03) including $9.20 (2008 – $9.16) per common share of interest expense, net of dividends. At the end of the second quarter of 2009, the cumulative interest and unrealized market loss of $62 million (2008 – $107 million) was included in accounts payable and accrued liabilities.

Employee Future Benefit Contributions During the second quarter of 2009, the Company contributed $24 million (2008 – $20 million) and year-to-date contributed $49 million (2008 – $34 million) to its registered defined benefit pension plans. The Company expects to contribute $120 million to these plans during 2009. The actual amount paid may vary from the estimate based on 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 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)

	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
($ millions except where otherwise indicated)	**2009**	2008	2009	2008	2008	2007	2008	2007
Sales	**$ 7,484**	$ 7,324	$ 7,022	$ 6,835	$ 8,050	$ 7,228	$ 9,879	$ 9,497
Net earnings (loss) from continuing operations[(1)]	**$ 4**	$ 87	$ (27)	$ 84	$ 357	$ 112	$ 119	$ 117
Net earnings	**$ 4**	$ 118	$ 863	$ 131	$ 405	$ 153	$ 180	$ 179
Net (loss) earnings per common share from continuing operations ($)								
Basic and diluted[(1)]	**$ (0.05)**	$ 0.60	$ (0.28)	$ 0.55	$ 2.69	$ 0.76	$ 0.81	$ 0.77
Net (loss) earnings per common share ($)								
Basic and diluted[(1)]	**$ (0.05)**	$ 0.84	$ 6.61	$ 0.91	$ 3.06	$ 1.08	$ 1.29	$ 1.25

(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 second quarter of 2009 compared to the second quarter of 2008. At Loblaw, same-store sales in the current quarter increased 2.5%. At Weston Foods, quarterly sales growth was positively impacted by the combined effect of price increases and changes in sales mix, as well as by foreign currency translation. In addition, in the fourth quarter of 2008 and the first half of 2009, Weston Foods quarterly sales growth has been negatively impacted by the sale of the dairy and bottling operations in the fourth quarter of 2008.

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;
- foreign exchange losses associated with a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments, beginning in the first quarter of 2009; and
- the loss on the extinguishment of a portion of the GWL 12.7% Promissory Notes in the second 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 June 20, 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 Economic conditions in Canada and the United States continue to be unfavourable, which may impact the Company's operations negatively in the future as increased unemployment levels, changes in interest rates, reduced disposable income and 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 in turn 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.

ACQUISITION OF T&T SUPERMARKET INC.
Subsequent to the end of the second quarter of 2009, Loblaw announced that it has entered into an agreement to acquire all the common shares of T&T Supermarket Inc. ("T&T"), Canada's largest Asian food retailer, subject to consents and regulatory approvals. The purchase price is $225 million with certain adjustments to be made at closing. $191 million of the purchase price will be funded by cash and the remaining through preferred shares issued by T&T, the value of which will be tied to the future performance of T&T. Closing of the transaction is expected prior to the end of the fiscal year. It is expected that the acquisition will be accretive to Loblaw's earnings in the first year following closing.

ACCOUNTING STANDARDS IMPLEMENTED IN 2009

Goodwill and Intangible Assets In November 2007, the Canadian Institute of Chartered Accountants ("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 in conjunction with Section 3064 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 these requirements effective for the first quarter of 2009, retroactively with restatement of the comparative periods. Restatement of the quarter comparative period resulted in an increase in selling and administrative expenses of $6 million ($11 million year-to-date), a decrease in depreciation and amortization of $7 million ($13 million year-to-date), an increase to future tax expense of $1 million ($1 million year-to-date) and an increase in minority interest of nil ($1 million year-to-date), resulting in no impact to net earnings for the second quarter or year-to-date 2008. Restatement of the comparative period also resulted in a decrease to other assets of $47 million, a decrease to retained earnings net of income taxes and minority interest of $20 million, a decrease in future income taxes liability of $16 million and a decrease in minority interest of $11 million. 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 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 January 1, 2009 to take into account its own credit risk and counterparty credit risk. As a result, 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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Canadian Accounting Standards Board ("AcSB") will require all public companies to adopt International Financial Reporting Standards ("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 consists 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 involves 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. Further analysis continues to finalize these impacts.

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 supporting information systems and business activities, including the budget and planning process, financial covenants, key performance indicators, compensation arrangements that rely on financial statement indicators and contractual agreements 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. For all accounting policy changes identified, an assessment of the design and effectiveness implications on Internal Controls over Financial Reporting and Disclosure Controls and Procedures will be completed. 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. In addition, the Company's results will be subject to earnings volatility caused by the impact of changes in U.S. foreign exchange currency fluctuations on a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments. The Company is continuing to assess its strategic options for the deployment of the significant holdings of cash and short term investments generated from the divestitures of the Dairy business in 2008 and the U.S. fresh bakery business in January 2009.

Weston Foods operating results for the first half of 2009 have been strong, however the second half of 2009 is expected to be challenging. Unfavourable economic conditions are expected to put pressure on both margins and volumes for the remainder of 2009. To help offset these economic pressures, the Company is continuing its efforts to reduce cost through improved efficiencies and productivity and by optimizing the product mix to meet changing consumer buying preferences in difficult economic times.

Loblaw's second quarter earnings improvement was largely driven by cost and gross margin, but that trend is not expected to continue. Loblaw expects sales and margins to be significantly challenged for the remainder of 2009, considering declining market volumes, decreasing inflation, intensified competitive activity and a substantial ramp up in infrastructure and renovation programs.

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 and twenty-four 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 performance of the Company's ongoing operations and its ability to generate cash flows to fund cash requirements, including the Company's capital investment program.

EBITDA margin is calculated as EBITDA divided by sales.

				12 Weeks Ended Jun. 20, 2009			12 Weeks Ended Jun. 14, 2008
($ millions)	**Weston Foods**	**Loblaw**	**Other**	**Consolidated**	Weston Foods	Loblaw	Consolidated
Net earnings from continuing operations				**$ 4**			$ 87
Add impact of the following:							
Minority interest				**76**			55
Income taxes				**61**			56
Interest expense and other financing charges				**147**			109
Operating income (loss)	**$ 56**	**$ 322**	**$ (90)**	**$ 288**	$ 45	$ 262	$ 307
Depreciation and amortization(1)	**14**	**135**		**149**	14	128	142
EBITDA	**$ 70**	**$ 457**	**$ (90)**	**$ 437**	$ 59	$ 390	$ 449

				24 Weeks Ended Jun. 20, 2009			24 Weeks Ended Jun. 14, 2008
($ millions)	**Weston Foods**	**Loblaw**	**Other**	**Consolidated**	Weston Foods	Loblaw	Consolidated
Net (loss) earnings from continuing operations				**$ (23)**			$ 171
Add impact of the following:							
Minority interest				**113**			79
Income taxes				**115**			119
Interest expense and other financing charges				**184**			133
Operating income (loss)	**$ 29**	**$ 546**	**$ (186)**	**$ 389**	$ 86	$ 416	$ 502
Depreciation and amortization(1)	**26**	**267**		**293**	27	258	285
EBITDA	**$ 55**	**$ 813**	**$ (186)**	**$ 682**	$ 113	$ 674	$ 787

(1) Includes depreciation of $10 million (2008 – $10 million) and year-to-date of $21 million (2008 – $20 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 include all interest bearing financing arrangements.

The Company calculates net debt as the sum of bank indebtedness, short term debt, long 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)	**Jun. 20, 2009**	Jun. 14, 2008	Dec. 31, 2008	Dec. 31, 2007
Bank indebtedness	**$ 4**	$ 84	$ 93	$ 36
Short term debt	**282**	1,297	453	859
Long term debt due within one year	**396**	415	415	432
Long term debt	**5,315**	5,270	5,308	5,494
Fair value of financial derivative assets	**(405)**	(400)	(318)	(441)
	5,592	6,666	5,951	6,380
Less: Cash and cash equivalents	**3,059**	1,005	1,446	1,052
Short term investments	**1,741**	658	694	461
Security deposits	**423**	454	560	419
Net debt	**369**	4,549	3,251	4,448
Less: Exchangeable Debentures				157
Net debt (excluding Exchangeable Debentures)	**$ 369**	$ 4,549	$ 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 is 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)	**Jun. 20, 2009**	Jun. 14, 2008
Canadian GAAP total assets	**$ 19,338**	$ 18,541
Less: Cash and cash equivalents	**3,059**	1,005
Short term investments	**1,741**	658
Security deposits	**423**	454
Current assets of operations held for sale		286
Fair value of GWL forward sale agreement for 9.6 million Loblaw shares	**421**	408
Long term assets of operations held for sale		1,965
Accounts payable and accrued liabilities	**3,035**	2,844
Net assets	**$ 10,659**	$ 10,921

Consolidated Statements of Earnings

(unaudited)

($ millions except where otherwise indicated)	12 Weeks Ended Jun. 20, 2009	12 Weeks Ended Jun. 14, 2008 (restated[1])	24 Weeks Ended Jun. 20, 2009	24 Weeks Ended Jun. 14, 2008 (restated[1])
Sales	**$ 7,484**	$ 7,324	**$ 14,506**	$ 14,159
Operating Expenses				
Cost of inventories sold (note 10)	**5,635**	5,601	**10,889**	10,785
Selling, administrative and other expenses	**1,422**	1,284	**2,883**	2,607
Depreciation and amortization (note 10)	**139**	132	**272**	265
Goodwill impairment (note 11)			**73**	
	7,196	7,017	**14,117**	13,657
Operating Income	**288**	307	**389**	502
Interest Expense and Other Financing Charges (note 3)	**147**	109	**184**	133
Earnings from Continuing Operations Before the Following:	**141**	198	**205**	369
Income Taxes (note 5)	**61**	56	**115**	119
	80	142	**90**	250
Minority Interest	**76**	55	**113**	79
Net Earnings (Loss) from Continuing Operations	**4**	87	**(23)**	171
Discontinued Operations (note 4)		31	**890**	78
Net Earnings	**$ 4**	$ 118	**$ 867**	$ 249
Net (Loss) Earnings per Common Share – Basic and Diluted ($)				
Continuing Operations (note 6)	**$ (0.05)**	$ 0.60	**$ (0.33)**	$ 1.15
Discontinued Operations		$ 0.24	**$ 6.89**	$ 0.60
Net (Loss) Earnings	**$ (0.05)**	$ 0.84	**$ 6.56**	$ 1.75

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)	24 Weeks Ended Jun. 20, 2009	24 Weeks Ended Jun. 14, 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 (restated[(1)])	**$ 5,282**	$ 4,699
Cumulative impact of implementing new accounting standards (note 2)	**(4)**	(20)
Net earnings	**867**	249
Dividends declared		
Per common share ($) – $0.72 (2008 – $0.72)	**(93)**	(93)
Per preferred share ($) – Series I – $0.73 (2008 – $0.73)	**(7)**	(7)
– Series II – $0.32 (2008 – $0.64) (notes 3 & 15)		(3)
– Series III – $0.65 (2008 – $0.65)	**(5)**	(5)
– Series IV – $0.65 (2008 – $0.65)	**(5)**	(5)
– Series V – $0.60 (2008 – $0.60)	**(5)**	(5)
Retained Earnings, End of Period	**$ 6,030**	$ 4,810
Accumulated Other Comprehensive Loss, Beginning of Period	**$ (322)**	$ (999)
Cumulative impact of implementing new accounting standards (note 2)	**(1)**	
Other comprehensive income	**224**	135
Accumulated Other Comprehensive Loss, End of Period (note 16)	**$ (99)**	$ (864)
Total Shareholders' Equity	**$ 6,881**	$ 4,896

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

Consolidated Statements of Comprehensive (Loss) Income
(unaudited)

($ millions)	12 Weeks Ended Jun. 20, 2009	12 Weeks Ended Jun. 14, 2008 (restated[(1)])	24 Weeks Ended Jun. 20, 2009	24 Weeks Ended Jun. 14, 2008 (restated[(1)])
Net earnings	**$ 4**	$ 118	**$ 867**	$ 249
Other comprehensive (loss) income net of income taxes and minority interest				
Foreign currency translation adjustment	**(68)**	18	**83**	140
Reclassification of cumulative foreign currency translation loss to net earnings			**144**	
	(68)	18	**227**	140
Net unrealized (loss) gain on available-for-sale financial assets	**(11)**	8	**(7)**	14
Reclassification of gain on available-for-sale financial assets to net earnings	**(6)**	(8)	**(15)**	(1)
	(17)		**(22)**	13
Net gain (loss) on derivatives designated as cash flow hedges	**5**	(1)	**2**	(6)
Reclassification of loss (gain) on derivatives designated as cash flow hedges to net earnings	**8**	(4)	**17**	(12)
	13	(5)	**19**	(18)
Other comprehensive (loss) income	**(72)**	13	**224**	135
Total Comprehensive (Loss) Income	**$ (68)**	$ 131	**$ 1,091**	$ 384

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)	Jun. 20, 2009 (unaudited)	As at Jun. 14, 2008 (restated[(1)]) (unaudited)	Dec. 31, 2008 (restated[(1)])
ASSETS			
Current Assets			
Cash and cash equivalents (note 7)	**$ 3,059**	$ 1,005	$ 1,446
Short term investments	**1,741**	658	694
Accounts receivable (note 8)	**752**	1,028	958
Inventories (note 10)	**2,209**	2,108	2,307
Income taxes	**49**	136	40
Future income taxes	**58**	71	69
Prepaid expenses and other assets	**101**	72	75
Current assets of operations held for sale (note 4)		286	2,588
Total Current Assets	**7,969**	5,364	8,177
Fixed Assets	**8,586**	8,404	8,542
Goodwill and Intangible Assets (note 11)	**1,061**	1,133	1,134
Future Income Taxes	**66**	12	36
Other Assets	**1,656**	1,663	1,714
Long Term Assets of Operations Held for Sale (note 4)		1,965	
Total Assets	**$ 19,338**	$ 18,541	$ 19,603
LIABILITIES			
Current Liabilities			
Bank indebtedness	**$ 4**	$ 84	$ 93
Accounts payable and accrued liabilities	**3,035**	2,844	3,121
Income taxes	**33**		78
Short term debt (note 13)	**282**	1,297	453
Long term debt due within one year (note 14)	**396**	415	415
Capital securities (note 15)			264
Current liabilities of operations held for sale (note 4)		356	620
Total Current Liabilities	**3,750**	4,996	5,044
Long Term Debt (note 14)	**5,315**	5,270	5,308
Future Income Taxes	**278**	273	273
Other Liabilities	**600**	538	615
Capital Securities (note 15)	**219**	261	219
Minority Interest	**2,295**	2,133	2,234
Long Term Liabilities of Operations Held for Sale (note 4)		174	
Total Liabilities	**12,457**	13,645	13,693
SHAREHOLDERS' EQUITY			
Share Capital (note 15)	**950**	950	950
Retained Earnings	**6,030**	4,810	5,282
Accumulated Other Comprehensive Loss (note 16)	**(99)**	(864)	(322)
Total Shareholders' Equity	**6,881**	4,896	5,910
Total Liabilities and Shareholders' Equity	**$ 19,338**	$ 18,541	$ 19,603

Contingencies, commitments and guarantees (note 18).
Subsequent event (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 Jun. 20, 2009	12 Weeks Ended Jun. 14, 2008 (restated[1])	24 Weeks Ended Jun. 20, 2009	24 Weeks Ended Jun. 14, 2008 (restated[1])
Operating Activities				
Net earnings from continuing operations before minority interest	**$ 80**	$ 142	**$ 90**	$ 250
Depreciation and amortization	**149**	142	**293**	285
Goodwill impairment (note 11)			**73**	
Foreign exchange losses (note 20)	**90**		**186**	
Loss on extinguishment of debt (notes 3 &14)	**41**		**41**	
Settlement of equity forward contracts (note 17)	**(38)**		**(38)**	
Future income taxes	**(18)**	(1)	**(29)**	(10)
Fair value adjustment of GWL's forward sale agreement (note 3)	**33**	27	**(7)**	(24)
Change in non-cash working capital	**505**	19	**(115)**	(513)
Other	**4**	17	**(24)**	49
Cash Flows from Operating Activities of Continuing Operations	**846**	346	**470**	37
Investing Activities				
Fixed asset purchases	**(210)**	(94)	**(347)**	(212)
Short term investments	**(244)**	(365)	**(1,095)**	(172)
Proceeds from fixed asset sales	**1**	4	**6**	14
Business acquisition		(10)		(10)
Domtar investment		144		144
Credit card receivables, after securitization (note 8)	**(21)**	(42)	**208**	32
Franchise investments and other receivables	**8**	(2)	**(9)**	(20)
Security deposits and other	**125**	9	**90**	(25)
Cash Flows used in Investing Activities of Continuing Operations	**(341)**	(356)	**(1,147)**	(249)
Financing Activities				
Bank indebtedness	**(77)**	(37)	**(92)**	48
Short term debt (note 13)	**(565)**	67	**(171)**	438
Long term debt - Issued	**352**	296	**360**	301
- Retired (note 14)	**(4)**	(535)	**(389)**	(548)
Capital securities - Retired	**(265)**		**(265)**	
Dividends - To common shareholders	**(47)**	(47)	**(47)**	(93)
- To preferred shareholders	**(11)**	(8)	**(14)**	(22)
- To minority shareholders	**(22)**	(22)	**(22)**	(44)
Cash Flows (used in) from Financing Activities of Continuing Operations	**(639)**	(286)	**(640)**	80
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents	**(111)**	(1)	**(72)**	45
Cash Flows used in Continuing Operations	**(245)**	(297)	**(1,389)**	(87)
Cash Flows from Discontinued Operations (note 4)		31	**3,002**	40
Change in Cash and Cash Equivalents	**(245)**	(266)	**1,613**	(47)
Cash and Cash Equivalents, Beginning of Period	**3,304**	1,271	**1,446**	1,052
Cash and Cash Equivalents, End of Period	**$ 3,059**	$ 1,005	**$ 3,059**	$ 1,005

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 second 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, 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, in conjunction with Section 3064, 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 these requirements effective for the first quarter of 2009, retroactively with restatement of the comparative periods. Restatement of the comparative period resulted in an increase in selling and administrative expenses of $6 million ($11 million year-to-date), a decrease in depreciation and amortization of $7 million ($13 million year-to-date), an increase in future tax expense of $1 million ($1 million year-to-date) and an increase in minority interest of nil ($1 million year-to-date), resulting in no impact to net earnings for the second quarter or year-to-date 2008. Restatement of the comparative period also resulted in a decrease to other assets of $47 million, a decrease to retained earnings net of income taxes and minority interest of $20 million, a decrease in future income taxes liability of $16 million and a decrease in minority interest of $11 million. 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 Abstract 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 January 1, 2009, to take into account its own credit risk and counterparty credit risk. As a result, 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 loss 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		24 Weeks Ended	
($ millions)	**Jun. 20, 2009**	Jun. 14, 2008	**Jun. 20, 2009**	Jun. 14, 2008
Interest on long term debt	**$ 85**	$ 91	**$ 170**	$ 182
Loss on extinguishment of debt (note 14)	**41**		**41**	
Interest expense (income) on financial derivative instruments	**1**	(1)	**3**	
Other financing charges(1)	**29**	21	**(16)**	(36)
Net short term interest income	**(7)**	(1)	**(12)**	(3)
Interest income on security deposits	**(1)**	(2)	**(3)**	(6)
Dividends on capital securities	**4**	5	**11**	5
Capitalized to fixed assets	**(5)**	(4)	**(10)**	(9)
Interest expense and other financing charges	**$ 147**	$ 109	**$ 184**	$ 133

(1) Other financing charges for the second quarter and year-to-date 2009 includes a non-cash charge of $33 million (2008 – $27 million) and non-cash income of $7 million (2008 – $24 million), respectively, 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 for the second quarter and year-to-date 2009 is forward accretion income of $8 million and $17 million (2008 – $10 million and $20 million), respectively, net of the forward fee of $4 million and $8 million (2008 – $4 million and $8 million), respectively, associated with GWL's forward sale agreement.

During the second quarter and year-to-date 2009, net interest expense of $123 million and $208 million (2008 – $95 million and $182 million) respectively, 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 second quarter and year-to-date 2009 were $134 million and $255 million (2008 – $138 million and $286 million), respectively, and interest received on cash, short term investments and security deposits was $28 million and $56 million (2008 – $33 million and $88 million), respectively.

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 by the end of the third 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 June 14, 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		24 Weeks Ended	
($ millions)	**Jun. 20, 2009**	Jun. 14, 2008	**Jun. 20, 2009**(1)	Jun. 14, 2008
Sales	**$ 2**	$ 523	**$ 145**	$ 1,025
Operating income		34	**9**	92
Gain on disposal(2)			**921**	
Interest income(3)		(2)	**(1)**	(4)
Earnings before the following:		36	**931**	96
Income taxes		5	**41**	18
Earnings from discontinued operations	**$**	$ 31	**$ 890**	$ 78

(1) Reflects results of the U.S. fresh bakery business up to the date of sale, January 21, 2009 and the gain on disposal.
(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 (see note 16).
(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 June 14, 2008 and December 31, 2008 were as follows:

	As at	
($ millions)	Jun. 14, 2008	Dec. 31, 2008
Current assets of operations held for sale		
Accounts receivable	$ 200	$ 219
Inventories	32	40
Prepaid expenses and other assets	17	211
Fixed assets		618
Goodwill and intangible assets		1,364
Future income taxes	37	136
	$ 286	$ 2,588
Long term assets of operations held for sale		
Fixed assets	$ 527	
Goodwill and intangible assets	1,166	
Future income taxes	94	
Other assets	178	
	$ 1,965	
Current liabilities of operations held for sale		
Bank indebtedness	$ 28	$ 22
Accounts payable and accrued liabilities	287	354
Income taxes	41	52
Future income taxes		2
Other liabilities		190
	$ 356	$ 620
Long term liabilities of operations held for sale		
Future income taxes	$ 1	
Other liabilities	173	
	$ 174	

The cash flows from discontinued operations were as follows:

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 20, 2009**	Jun. 14, 2008	**Jun. 20, 2009**(1)	Jun. 14, 2008
Cash flows from (used in) operations	**$**	$ 36	**$ (105)**	$ 60
Cash flows (used in) from investing		(12)	**3,092**	(21)
Cash flows from financing		7	**15**	1
Cash flows from discontinued operations	**$**	$ 31	**$ 3,002**	$ 40

(1) Reflects the proceeds received on the sale and the 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 43.3% in the second quarter of 2009 compared to 28.3% in the second quarter of 2008 and year-to-date 2009 increased to 56.1% compared to 32.2% in 2008. The increase in the second quarter of 2009 when compared to the same period in 2008 was mainly the result of the foreign exchange losses associated with a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments. The year-to-date 2009 increase in the effective income tax rate when compared to the same period in 2008 was also impacted by the non-deductible reversal of the cumulative foreign currency translation loss associated with Dunedin and certain of its affiliates.

Net income taxes paid in the second quarter and year-to-date 2009 were $34 million and $204 million (2008 – $14 million and $115 million), respectively.

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

	12 Weeks Ended		24 Weeks Ended	
($ millions except where otherwise indicated)	**Jun. 20, 2009**	Jun. 14, 2008	**Jun. 20, 2009**	Jun. 14, 2008
Net earnings (loss) from continuing operations	**$ 4**	$ 87	**$ (23)**	$ 171
Prescribed dividends on preferred shares in share capital	**(10)**	(10)	**(20)**	(23)
Net (loss) earnings from continuing operations available to common shareholders	**$ (6)**	$ 77	**$ (43)**	$ 148
Weighted average common shares outstanding (in millions)	**129.1**	129.1	**129.1**	129.1
Dilutive effect of stock-based compensation(1) (in millions)				
Diluted weighted average common shares outstanding (in millions)	**129.1**	129.1	**129.1**	129.1
Basic and diluted net (loss) earnings per common share from continuing operations ($)	**$ (0.05)**	$ 0.60	**$ (0.33)**	$ 1.15

(1) Stock options outstanding with an exercise price greater than the quarter and year-to-date average market prices of GWL's common shares are not included in the computation of diluted net (loss) earnings per common share from continuing operations. Accordingly, for the second quarter and year-to-date 2009, 1,274,073 (2008 – 1,352,780) stock options, with a weighted average exercise price of $86.32 (2008 – $86.80) 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 June 20, 2009, June 14, 2008 and December 31, 2008 were as follows:

		As at	
($ millions)	**Jun. 20, 2009**	Jun. 14, 2008	Dec. 31, 2008
Cash	**$ 211**	$ 88	$ 85
Cash equivalents - short term investments with a maturity date of 90 days or less:			
Bank term deposits	**640**	93	101
Government treasury bills	**1,747**	395	656
Government-sponsored debt securities	**197**	206	107
Corporate commercial paper	**253**	223	450
Foreign bonds	**11**		47
Cash and cash equivalents	**$ 3,059**	$ 1,005	$ 1,446

As at June 20, 2009, USD $2,125 million (June 14, 2008 – USD $1,967 million; December 31, 2008 – USD $2,126 million) is included in cash and cash equivalents, short term investments and security deposits.

In the second quarter of 2009, the Company recognized an unrealized foreign exchange loss of $218 million (2008 – gain of $17 million), as a result of translating its United States dollar denominated cash and cash equivalents, short term investments and security deposits, of which a loss of $111 million (2008 – $1 million) related to cash and cash equivalents. Loblaw recognized an unrealized foreign exchange loss of $92 million (2008 – gain of $9 million) as a result of translating its United States dollar denominated cash and cash equivalents, short term investments and security deposits, of which a loss of $37 million (2008 – $3 million) related to cash and cash equivalents. The remaining unrealized foreign exchange loss of $126 million (2008 – gain of $8 million) includes a loss of $74 million (2008 – gain of $2 million) related to the translation of cash and cash equivalents held by GWL's foreign operations. During the second quarter of 2009, $90 million (2008 – nil) of unrealized foreign exchange losses associated with the Company's (excluding Loblaw's) USD denominated cash and cash equivalents and short term investments held in integrated foreign subsidiaries was recognized in operating income with the balance recognized in other comprehensive loss.

Year-to-date 2009, the Company recognized an unrealized foreign exchange loss of $146 million (2008 – gain of $90 million), as a result of translating its United States dollar denominated cash and cash equivalents, short term investments and security deposits, of which a loss of $72 million (2008 – gain of $45 million) related to cash and cash equivalents. Loblaw recognized an unrealized foreign exchange loss of $63 million (2008 – gain of $42 million) as a result of translating its United States dollar denominated cash and cash equivalents, short term investments and security deposits, of which a loss of $23 million (2008 – gain of $16 million) related to cash and cash equivalents. The remaining unrealized foreign exchange loss of $83 million (2008 – gain of $48 million) includes a loss of $49 million (2008 – gain of $29 million) related to the translation of cash and cash equivalents held by GWL's foreign operations. Year-to-date 2009, $152 million (2008 – nil) of foreign exchange losses associated with the Company's (excluding Loblaw's) USD denominated cash and cash equivalents and short term investments held in integrated foreign subsidiaries was recognized in operating income with the balance recognized in accumulated other comprehensive income.

The Loblaw gain or loss on cash and cash equivalents, short term investments and security deposits, is partially offset in operating income and other comprehensive (loss) income by the unrealized foreign currency exchange loss or gain 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 renewal during the third quarter of 2009. 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)	**Jun. 20, 2009**	Jun. 14, 2008	Dec. 31, 2008
Credit card receivables	**$ 1,991**	$ 1,980	$ 2,206
Amount securitized	**(1,775)**	(1,475)	(1,775)
Net credit card receivables	**216**	505	431
Other receivables	**536**	523	527
Accounts receivable	**$ 752**	$ 1,028	$ 958

Credit card receivables that were past due of $5 million as at June 20, 2009 (June 14, 2008 – $10 million) were not classified as impaired as they were less than 90 days past due and most receivables were 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 diversity of the Company's customer base. Credit risk on the credit card receivables was managed as described in note 29 to the annual consolidated financial statements for the year ended December 31, 2008. Other receivables that are past due but not impaired totaled $57 million as at June 20, 2009 (June 14, 2008 – $64 million).

9. Allowances for Receivables

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

Credit Card Receivables

	12 Weeks Ended		24 Weeks Ended		Year Ended
($ millions)	**Jun. 20, 2009**	Jun. 14, 2008	**Jun. 20, 2009**	Jun. 14, 2008	Dec. 31, 2008
Allowances at beginning of period	**$ (15)**	$ (13)	**$ (15)**	$ (13)	$ (13)
Provision for losses	**(5)**	(10)	**(8)**	(12)	(35)
Recoveries	**(2)**	(2)	**(3)**	(4)	(14)
Write-offs	**7**	12	**11**	16	47
Allowances at end of period	**$ (15)**	$ (13)	**$ (15)**	$ (13)	$ (15)

Other Receivables

	12 Weeks Ended		24 Weeks Ended		Year Ended
($ millions)	**Jun. 20, 2009**	Jun. 14, 2008	**Jun. 20, 2009**	Jun. 14, 2008	Dec. 31, 2008
Allowances at beginning of period	**$ (45)**	$ (40)	**$ (32)**	$ (44)	$ (44)
Provision for losses	**(6)**	(20)	**(35)**	(28)	(84)
Write-offs	**16**	16	**32**	28	96
Allowances at end of period	**$ (35)**	$ (44)	**$ (35)**	$ (44)	$ (32)

10. Inventories

		As at	
($ millions)	**Jun. 20, 2009**	Jun. 14, 2008	Dec. 31, 2008
Raw materials and supplies	**$ 37**	$ 37	$ 41
Finished goods	**2,172**	2,071	2,266
Inventories	**$ 2,209**	$ 2,108	$ 2,307

Cost of inventories sold includes $10 million (2008 – $10 million) of depreciation during the second quarter of 2009 and $21 million (2008 – $20 million) year-to-date.

For inventories recorded as at June 20, 2009, Loblaw recorded $32 million (June 14, 2008 – $22 million) as an expense for the write-down of inventories below cost to net realizable value.

11. Goodwill and Intangible Assets

($ millions)	Weston Foods	Loblaw	Jun. 20, 2009 Total	As at Jun. 14, 2008	As at 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				4	23
Goodwill, end of period	**96**	**947**	**1,043**	1,108	1,116
Trademarks and brand names	**13**		**13**	14	13
Other intangible assets	**5**		**5**	11	5
Goodwill and intangible assets	**$ 114**	**$ 947**	**$ 1,061**	$ 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 goodwill related to the biscuits, cookies, cones and wafers business in the first quarter of 2009.

12. Employee Future Benefits

The Company's total net benefit plan cost recognized in operating income was $47 million and $96 million (2008 – $40 million and $82 million) for the second quarter and year-to-date 2009, respectively. The total net benefit plan cost included costs for the Company's defined benefit pension and other benefit plans, defined contribution pension plans and multi-employer pension plans.

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 June 20, 2008, $257 million 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 June 20, 2009, nil (June 14, 2008 – $798 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 $282 million (June 14, 2008 – $242 million; December 31, 2008 – $263 million) as at June 20, 2009.

14. Long Term Debt

During the second quarter of 2009, GWL entered into an agreement to repurchase a portion of the 12.7% Promissory Notes, due 2030. Principal of $140 million and interest coupons of $48 million were repurchased from a single counterparty subsequent to the end of the second quarter of 2009, for an aggregate purchase price of $57 million. This has resulted in the extinguishment of a portion of the original liability and the recognition of a new liability as at the end of the second quarter of 2009. At June 20, 2009, GWL has reclassified the carrying value of the portion repurchased from long term debt to long term debt due within one year and has recorded a pre-tax loss of $41 million (after-tax loss of $36 million) in interest expense and other financing charges (see note 3).

During the second quarter of 2009, Loblaw issued $350 million principal amount of unsecured Medium Term Notes ("MTN"), Series 2-A pursuant to its MTN, Series 2 program. The Series 2-A notes will pay a fixed rate of interest of 4.85% payable semi-annually commencing on November 8, 2009 until maturity on May 8, 2014 and are subject to certain covenants. The notes are unsecured obligations of Loblaw and rank equally with all the unsecured indebtedness of Loblaw that has not been subordinated. The Series 2-A notes may be redeemed at the option of Loblaw, in whole at any time or in part from time to time, upon not less than 30 days and not more than 60 days notice to the holders of the notes.

As at June 20, 2009, USD $300 million (June 14, 2008 – USD $300 million; December 31, 2008 – 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.

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

15. Capital Management

Capital Securities On April 1, 2009, the GWL 10.6 million 5.15% non-voting preferred shares, Series II, which were presented as capital securities and included in liabilities, were redeemed for cash at $25.00 per share, or $265 million in aggregate, plus accrued and unpaid dividends to but excluding 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 second 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 second 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.

During the second 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 halves of 2009 or 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. The Board of Directors has declared dividends as follows:

	12 Weeks Ended		24 Weeks Ended	
($)	**Jun. 20, 2009**	Jun. 14, 2008	**Jun. 20, 2009**	Jun. 14, 2008
Common shares	**$ 0.36**	$ 0.36	**$ 0.72**	$ 0.72
Preferred shares – Series I	**$ 0.36**	$ 0.36	**$ 0.73**	$ 0.73
– Series II		$ 0.32	**$ 0.32**	$ 0.64
– Series III	**$ 0.32**	$ 0.32	**$ 0.65**	$ 0.65
– Series IV	**$ 0.32**	$ 0.32	**$ 0.65**	$ 0.65
– Series V	**$ 0.30**	$ 0.30	**$ 0.60**	$ 0.60

Dividends on the GWL preferred shares, Series II are presented in interest expense and other financing charges in the consolidated statements of earnings in the second quarter of 2008 and onwards.

16. Accumulated Other Comprehensive Loss

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

24 Weeks Ended Jun. 20, 2009

($ millions)	Foreign currency translation adjustment	Available-for-sale assets	Cash flow hedges	Total
Balance, beginning of period	**$ (334)**	**$ 10**	**$ 2**	**$ (322)**
Cumulative impact of implementing new accounting standards[1]			**(1)**	**(1)**
Foreign currency translation adjustment	**83**			**83**
Reclassification of cumulative foreign currency translation loss to net earnings	**144**			**144**
Net unrealized losses on available-for-sale financial assets[2]		**(7)**		**(7)**
Reclassification of gain on available-for-sale financial assets[3]		**(15)**		**(15)**
Net gain on derivatives designated as cash flow hedges[4]			**2**	**2**
Reclassification of loss on derivatives designated as cash flow hedges[5]			**17**	**17**
Balance, end of period	**$ (107)**	**$ (12)**	**$ 20**	**$ (99)**

(1) Net of income taxes recovered of $1 million and minority interest of $1 million.
(2) Net of income taxes of nil and minority interest of $4 million.
(3) Net of income taxes of $2 million and minority interest of $9 million.
(4) Net of income taxes of $3 million and minority interest of $2 million.
(5) Net of income taxes recovered of $6 million and minority interest of $6 million.

24 Weeks Ended Jun. 14, 2008

($ millions)	Foreign currency translation adjustment	Available-for-sale assets	Cash flow hedges	Total
Balance, beginning of period	$ (1,011)	$ (2)	$ 14	$ (999)
Foreign currency translation adjustment	140			140
Net unrealized gain on available-for-sale financial assets[1]		14		14
Reclassification of gain on available-for-sale financial assets[2]		(1)		(1)
Net loss on derivatives designated as cash flow hedges[3]			(6)	(6)
Reclassification of gain on derivatives designated as cash flow hedges[4]			(12)	(12)
Balance, end of period	$ (871)	$ 11	$ (4)	$ (864)

(1) Net of income taxes of $3 million and minority interest of $8 million.
(2) Net of income taxes of $5 million and minority interest of a nominal amount.
(3) Net of income taxes of $4 million and minority interest of $6 million.
(4) Net of income taxes of $1 million and minority interest of $7 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 $6 million (2008 – $3 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 of up to 2 years. A gain of $11 million

(2008 – $7 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 loss on available-for-sale assets. Remaining amounts on the cross currency swaps will be reclassified to net earnings over periods up to 4 years. An estimated gain of nil (2008 – $3 million) on commodity derivatives is expected to be reclassified to net earnings during the next 12 months.

During the first half of 2009, accumulated other comprehensive loss decreased by $83 million (2008 – $140 million) from year end 2008. 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 half of 2009.

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 and included in the results of 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		24 Weeks Ended	
($ millions)	**Jun. 20, 2009**	Jun. 14, 2008	**Jun. 20, 2009**	Jun. 14, 2008
Stock option plans / share appreciation right plan expense	**$ 3**	$ 2	**$ 3**	$ 2
Equity derivatives (gain) loss	**(18)**	(19)	**3**	19
Restricted share unit plan expense	**4**	4	**6**	4
Net stock-based compensation (income) expense	**$ (11)**	$ (13)	**$ 12**	$ 25

Stock Option Plan During the second quarter of 2009, GWL granted nil (2008 – 3,013 at an exercise price of $49.88 per common share) stock options and 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 paid the share appreciation value of a nominal amount (2008 – nil) on the exercise of 18,987 (2008 – nil) stock options and share appreciation rights. In addition, 41,459 (2008 – 90,568) stock options and share appreciation rights were forfeited or cancelled during the first half of 2009.

During the second quarter of 2009, Loblaw granted 24,769 (2008 – 8,800) stock options with an exercise price of $36.17 (2008 – $33.10) per common share and during the 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 paid the share appreciation value of a nominal amount (2008 – nil) on the exercise of 81,408 (2008 – nil) stock options. In addition, 916,186 (2008 – 1,591,944) stock options were forfeited or cancelled during the first half of 2009.

At the end of the second quarter of 2009, a total of 1,786,328 (2008 – 1,666,929) GWL stock options and share appreciation rights were outstanding, 1,694,328 (2008 – 1,570,529) 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 nil (2008 – 30,447) RSUs in the second quarter of 2009 and 61,677 (2008 – 27,732) RSUs in the first quarter of 2009. In addition, 2,497 (2008 – 5,194) RSUs were cancelled and 59,423 (2008 – 62,697) RSUs were settled in cash in the amount of $4 million (2008 – $3 million) during the first half of 2009.

Under its existing RSU plan, Loblaw granted 3,994 (2008 – 45,321) RSUs in the second quarter of 2009 and 425,093 (2008 – 352,268) RSUs in the first quarter of 2009. In addition, 73,533 (2008 – 55,106) RSUs were cancelled and 187,335 (2008 – 233,655) were settled in cash for $6 million (2008 – $8 million) in the first half of 2009.

At the end of the second quarter of 2009, a total of 151,526 (2008 – 160,281) GWL and 997,618 (2008 – 877,515) Loblaw RSUs were outstanding.

Equity Forwards During the second quarter of 2009, Loblaw and a counterparty agreed to terminate a portion of the Loblaw equity forwards, representing 1.6 million Loblaw shares, for $38 million. As a result, at the end of the second quarter, Loblaw had cumulative equity forwards to buy 3.2 million (2008 – 4.8 million) of its common shares at a cumulative average forward price of $53.82 (2008 – $54.03) including $9.20 (2008 – $9.16) per common share of interest expense, net of dividends.

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 second quarter of 2009 was $387 million (2008 – $383 million) including $149 million (2008 – $159 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 – 15%) of the principal amount of the loans outstanding at any point in time, $66 million (2008 – $66 million) as of the end of the second quarter of 2009. The standby letter of credit has not been drawn upon.

During the second quarter of 2009, the $475 million, 364-day revolving committed credit facility that is the source of funding to the independent trusts was renewed. The new financing structure has been reviewed and Loblaw determined there were no additional VIEs to consolidate as a result of this financing. In accordance with Canadian GAAP, the financial statements of the independent funding trust are not consolidated with those of the Company.

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 became involved in proceedings brought by the 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 trustees each pled not guilty to the charges. A decision by the court is expected by the end of the year.

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).

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. The comparative balances as at June 14, 2008 and December 31, 2008 of $161 million and $136 million, respectively, have been reclassified.

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. The amounts previously included in depreciation and amortization for the second quarter and year-to-date 2008 of $10 million and $20 million, respectively, have been reclassified.

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.

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 20, 2009**	Jun. 14, 2008	**Jun. 20, 2009**	Jun. 14, 2008
Sales				
Weston Foods	**$ 395**	$ 501	**$ 832**	$ 1,012
Loblaw	**7,233**	7,037	**13,951**	13,564
Intersegment	**(144)**	(214)	**(277)**	(417)
Consolidated	**$ 7,484**	$ 7,324	**$ 14,506**	$ 14,159
Operating Income				
Weston Foods	**$ 56**	$ 45	**$ 29**	$ 86
Loblaw(1)	**322**	262	**546**	416
Other(2)	**(90)**		**(186)**	
Consolidated	**$ 288**	$ 307	**$ 389**	$ 502
Total Assets				
Weston Foods	**$ 1,959**	$ 2,556	**$ 1,959**	$ 2,556
Loblaw	**14,114**	13,734	**14,114**	13,734
Other(3)	**3,265**		**3,265**	
Discontinued operations		2,251		2,251
Consolidated	**$ 19,338**	$ 18,541	**$ 19,338**	$ 18,541

(1) Operating income for the period ended June 14, 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 and included in operating income. Subsequent to January 21, 2009, gains and losses arising from the translation of the USD denominated assets of these integrated foreign subsidiaries are included in net earnings. As a result, operating income for the second quarter and year-to-date 2009 included $90 million (2008 – nil) and $152 million (2008 – nil), respectively of foreign exchange losses associated with the Company's (excluding Loblaw's) USD denominated cash and cash equivalents and short term investments held in integrated foreign subsidiaries.

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

21. Subsequent Event

Subsequent to the end of the second quarter of 2009, Loblaw announced that it has entered into an agreement to acquire all the common shares of T&T Supermarket Inc. ("T&T"), Canada's largest Asian food retailer, subject to consents and regulatory approvals. The purchase price is $225 million with certain adjustments to be made at closing. $191 million of the purchase price will be funded by cash and the remaining through preferred shares issued by T&T, the value of which will be tied to the future performance of T&T. Closing of the transaction is expected prior to the end of the year.

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.

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Investor Relations

Shareholders, security analysts and investment professionals should direct their requests to Mr. Geoffrey H. Wilson, Senior Vice President, Financial Services and Investor Relations, 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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