Q3 2009

Quarterly Report to Shareholders

George Weston Limited

40 Weeks Ended October 10, 2009

Weston

FORWARD-LOOKING STATEMENTS

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

These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the possibility that the Company's plans and objectives will not be achieved. These risks and uncertainties include, but are not limited to: changes in economic conditions including the rate of inflation; changes in consumer spending and preferences; heightened competition, whether from new competitors or current competitors; the availability and cost of raw materials and ingredients, fuels and utilities; changes in the Company's or its competitors' pricing strategies; failure of the Company's franchised stores to perform as expected; risks associated with the terms and conditions of financing programs offered to the Company's franchisees; failure of the Company to realize the anticipated benefits of business acquisitions or divestitures; 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 third quarter 2009 basic net earnings per common share from continuing operations were $0.44 compared to $0.81 for the same period in 2008. Net earnings were negatively impacted by a charge of $0.58 per common share related to unrealized foreign exchange losses associated with the effect of foreign exchange on a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments. Excluding these foreign exchange losses and other items specifically identified below and in the MD&A, the Company's performance in the third quarter of 2009 was strong compared to the third quarter of 2008.

Loblaw continues to progress in its turnaround efforts, focusing on food offering enhancements, product innovation, store renovations, infrastructure improvements and increasing customer value. 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.

(unaudited) ($ millions except where otherwise indicated)	16 Weeks Ended **Oct. 10, 2009**	Oct. 4, 2008	Change	40 Weeks Ended **Oct. 10, 2009**	Oct. 4, 2008	Change
Sales	**$ 9,777**	$ 9,879	(1.0)%	**$ 24,283**	$ 24,038	1.0%
Operating income	**$ 333**	$ 348	(4.3)%	**$ 722**	$ 850	(15.1)%
Operating margin	**3.4%**	3.5%		**3.0%**	3.5%	
Interest expense and other financing charges	**$ 80**	$ 91	(12.1)%	**$ 264**	$ 224	17.9%
Net earnings from continuing operations	**$ 71**	$ 119	(40.3)%	**$ 48**	$ 290	(83.4)%
Net earnings	**$ 86**	$ 180	(52.2)%	**$ 953**	$ 429	122.1%
Basic net earnings per common share from continuing operations ($)	**$ 0.44**	$ 0.81	(45.7)%	**$ 0.11**	$ 1.96	(94.4)%
Basic net earnings per common share ($)	**$ 0.56**	$ 1.29	(56.6)%	**$ 7.12**	$ 3.04	134.2%
EBITDA[1]	**$ 530**	$ 544	(2.6)%	**$ 1,212**	$ 1,331	(8.9)%
EBITDA margin[1]	**5.4%**	5.5%		**5.0%**	5.5%	
Net debt[1]	**$ 233**	$ 3,967	(94.1)%	**$ 233**	$ 3,967	(94.1)%

Sales in the third quarter of 2009 were $9.8 billion compared to $9.9 billion for the same period in 2008, a decrease of 1.0%.

(1) See non-GAAP financial measures on page 21.
(2) To be read in conjunction with "Forward-Looking Statements".

Operating income for the third quarter of 2009 was $333 million compared to $348 million in the same period in 2008, a decrease of 4.3%. Operating margin of 3.4% for the third quarter decreased compared to 3.5% 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 third quarter of 2009 compared to the same period in 2008:

- a charge of $79 million (2008 – nil) related to unrealized foreign exchange losses associated with the effect of foreign exchange on 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 $0.58 (2008 – nil);

- a charge of $11 million (2008 – income of $4 million) related to the effect of stock-based compensation net of equity derivatives of both GWL and Loblaw. The effect on basic net earnings per common share from continuing operations was a charge of $0.08 (2008 – income of $0.02);

- a charge of $17 million (2008 – $37 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 a charge of $0.10 (2008 – $0.19); and

- nil (2008 – income of $15 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 $0.08).

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 third quarter of 2009 included $79 million (2008 – nil) of unrealized foreign exchange losses associated with the effect of foreign exchange on 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 third quarter of 2009 was strong compared to the same period in 2008, with growth at both Loblaw and Weston Foods. Third quarter operating income at Loblaw was positively influenced by improved buying synergies, more disciplined vendor management, sales mix, lower fuel costs and the efficiency of Loblaw's transportation operations, as well as lower labour and supply chain costs. The positive impact of these factors was partially offset by investments in pricing and costs related to Loblaw's previously announced incremental investment in information technology and supply chain. Third quarter operating income at Weston Foods was positively impacted by lower input costs, lower fuel costs and the benefits realized from productivity improvements and other cost reduction initiatives.

Interest expense and other financing charges for the third quarter of 2009 decreased 12.1% to $80 million from $91 million in 2008 primarily due to increased non-cash income related to the fair value adjustment of GWL's forward sale agreement of 9.6 million Loblaw common shares of $29 million (2008 – $17 million), which resulted in basic net earnings per common share non-cash income of $0.17 (2008 – $0.10).

The effective income tax rate increased to 41.5% in the third quarter of 2009 compared to 28.0% in the third quarter of 2008. The increase was mainly the result of the foreign exchange losses associated with the effect of foreign exchange on a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments for which a tax benefit has not been fully recognized.

Net Debt(1)

The Company's net debt(1) at October 10, 2009 was $233 million compared to $3,967 million at October 4, 2008. Of the $3,734 million reduction, the proceeds from the sale of the U.S. fresh bakery business accounted for $3,107 million and the proceeds from the sale of Weston Foods' dairy and bottling operations in the fourth quarter of 2008 accounted for $467 million. The reduction was also largely attributable to improvements in working capital at Loblaw, offset in part by the redemption of the GWL preferred shares, Series II, for $265 million and the acquisition of T&T Supermarket Inc. ("T&T") by Loblaw.

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

OPERATING SEGMENTS

Weston Foods
Weston Foods sales for the third quarter of 2009 of $502 million decreased 26.0% 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 25.6%, while foreign currency translation positively impacted sales growth by approximately 1.5%. The combined effect of pricing across key product categories and changes in sales mix was a negative impact of 0.3% for the third quarter of 2009. Volume declined 42.7% for the third quarter of 2009 compared to the same period in 2008, of which 41.1% was due to the sale of the dairy and bottling operations.

Weston Foods operating income was $36 million in the third quarter of 2009 compared to $38 million in the same period in 2008. Operating margin was 7.2% for the third quarter of 2009 compared to 5.6% in 2008. Excluding the impact of the effect of stock-based compensation net of equity derivatives, the commodity derivatives fair value adjustment and the income of Weston Foods' dairy and bottling operations, all of which are more fully described in the MD&A, Weston Foods operating income was strong. Operating income was positively impacted by lower input costs, lower fuel costs and the benefits realized from productivity improvements and other cost reduction initiatives.

Loblaw
Loblaw sales for the third quarter of 2009 decreased 0.2% or $20 million to $9,473 million compared to the third quarter of 2008. Same-store sales in the quarter decreased 0.6%. Sales and same-store sales were positively impacted in the quarter by approximately 0.5% as a result of the shift of Thanksgiving holiday sales into the third quarter of 2009 from the fourth quarter of 2008. Sales were negatively impacted by 0.5% by the sale of the Loblaw's food service business in the fourth quarter of 2008 and were positively impacted by 0.2% by the acquisition of T&T. In the third quarter of 2009, sales growth in food and drugstore was modest, sales growth in apparel was moderate, sales of other general merchandise declined significantly and gas bar sales declined significantly as a result of lower retail gas prices, despite moderate volume growth.

Loblaw operating income for the third quarter of 2009 was $376 million compared to $310 million in the same period in 2008, an increase of 21.3%. Loblaw operating margin was 4.0% for the third quarter of 2009 compared to 3.3% 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, primarily attributable to improved buying synergies, more disciplined vendor management, sales mix, lower fuel costs and the efficiency of transportation operations, as well as lower labour and supply chain costs. The positive impact of these factors was partially offset by investments in pricing and costs related to Loblaw's previously announced incremental investment in information technology and supply chain.

On September 28, 2009, Loblaw finalized its acquisition of T&T, Canada's largest Asian food retailer, for $225 million. $191 million was funded by cash and the remainder by $34 million of preferred shares issued by T&T to a vendor prior to the acquisition, the value of which will increase with favourable performance of the T&T business. The results of T&T's operations included in Loblaw's third quarter operating results were not significant.

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 expects satisfactory operating performance for the remainder of 2009. To help offset economic pressures, the Company is continuing its efforts to reduce costs through improved efficiencies and productivity and by optimizing the product mix to meet changing consumer buying preferences.

As Loblaw progressed through its third quarter, sales were increasingly impacted by the significant decline in inflation and the ramp-up of pricing investments. Earnings benefited from cost containment and supply chain efficiencies. Loblaw expects that sales and margins will be challenged due to decreasing inflation, competitive intensity and ongoing renovation and infrastructure programs.

[signed]

W. Galen Weston
Chairman and President

Toronto, Canada
November 23, 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 28 to 43 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 from continuing operations for the latest four quarters divided by average total common shareholders' equity.

The information in this MD&A is current to November 23, 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.

On September 28, 2009, Loblaw acquired T&T Supermarket Inc. ("T&T") for $225 million. $191 million was funded by cash and the remainder by $34 million of preferred shares issued by T&T to a vendor prior to the acquisition, the value of which will increase with favourable performance of the T&T business. T&T is Canada's largest Asian food retailer. Sales of the T&T business in the twelve months ending September 30, 2009 were approximately $520 million. The results of T&T's operations on the results of the Company for the quarter ended October 10, 2009 were not significant.

Sales Sales for the third quarter of 2009 decreased 1.0% or $102 million, to $9.8 billion from $9.9 billion in the third quarter of 2008. On a year-to-date basis, sales increased 1.0% or $245 million to $24.3 billion from $24.0 billion in the same period in 2008. The impact of foreign currency translation on the Weston Foods operating segment positively impacted consolidated sales growth by approximately 0.1% for the third quarter of 2009 and 0.3% on a year-to-date basis. When compared to the same period last year, the Company's consolidated sales for the third quarter of 2009 were impacted by each of its reportable operating segments as follows:

- Negatively by 1.8% as a result of a sales decrease of 26.0% at Weston Foods. The sale of the dairy and bottling operations in the fourth quarter of 2008 negatively impacted sales growth by approximately 25.6%, while foreign currency translation positively impacted sales growth by approximately 1.5%. The combined effect of pricing across key product categories and changes in sales mix was a negative impact of 0.3% for the third quarter of 2009. Volume declined 42.7% for the third quarter of 2009 when compared to the same period in 2008, of which 41.1% was due to the sale of the dairy and bottling operations.

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

- Negatively by 0.2% as a result of a sales decrease of 0.2% at Loblaw. Same-store sales in the quarter decreased 0.6%. Sales and same-store sales were positively impacted in the quarter by approximately 0.5% as a result of the shift of Thanksgiving holiday sales into the third quarter of 2009 from the fourth quarter of 2008. Sales were negatively impacted by 0.5% by the sale of the Loblaw's food service business in the fourth quarter of 2008 and were positively impacted by 0.2% by the acquisition of T&T. In the third quarter of 2009, sales growth in food and drugstore was modest, sales growth in apparel was moderate, sales of other general merchandise declined significantly and gas bar sales declined significantly as a result of lower retail gas prices, despite moderate volume growth.

Operating Income Operating income for the third quarter of 2009 was $333 million compared to $348 million in the third quarter of 2008, a decrease of 4.3%. Operating margin of 3.4% for the third quarter of 2009 decreased compared to 3.5% for the same period in 2008. When compared to the same period last year, the Company's change in operating income for the third quarter of 2009 was impacted negatively by 22.7% due to the unrealized foreign exchange losses associated with the effect of foreign exchange on a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments, negatively by 0.6% due to a decrease in operating income at Weston Foods, and positively by 19.0% due to an increase in operating income at Loblaw.

The year-over-year change in the following items influenced operating income for the third quarter of 2009 compared to the third quarter of 2008:
- a charge of $79 million (2008 – nil) related to unrealized foreign exchange losses associated with the effect of foreign exchange on a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments;
- a charge of $11 million (2008 – income of $4 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;
- a charge of $17 million (2008 – $37 million) related to the commodity derivatives fair value adjustment at Weston Foods. This commodity derivatives fair value adjustment includes realized and unrealized gains and losses related to future purchases of raw materials; and
- nil (2008 – income of $15 million) related to the income of Weston Foods' dairy and bottling operations.

Year-to-date operating income for 2009 was $722 million compared to $850 million in 2008, a decrease of 15.1%. Operating margin for year-to-date 2009 was 3.0% compared to 3.5% in 2008.

The year-over-year change in the following items influenced operating income for year-to-date 2009 compared to 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 $231 million (2008 – nil) related to foreign exchange losses associated with the effect of foreign exchange on 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 $23 million (2008 – $21 million) related to the effect of stock-based compensation net of equity derivatives of both GWL and Loblaw;
- income of $12 million (2008 – charge of $41 million) related to the commodity derivatives fair value adjustment at Weston Foods;
- nil (2008 – income of $38 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 third quarter and year-to-date 2009 included $79 million and $231 million, respectively, of foreign exchange losses associated with the effect of foreign exchange on a portion of 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 third quarter and year-to-date 2009 was strong compared to 2008.

EBITDA(1) decreased by $14 million, or 2.6%, to $530 million in the third quarter of 2009 compared to $544 million in the third quarter of 2008. EBITDA margin(1) for the third quarter decreased to 5.4% from 5.5% in 2008, negatively impacted by unrealized foreign exchange losses associated with the effect of foreign exchange 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 $119 million or 8.9% to $1,212 million compared to $1,331 million in 2008. Year-to-date EBITDA margin(1) decreased to 5.0% from 5.5% in 2008, negatively impacted by foreign exchange losses associated with the effect of foreign exchange 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 third quarter of 2009 decreased by $11 million, or 12.1%, to $80 million from $91 million in the third quarter of 2008. The change was mainly the result of:

- non-cash income of $29 million compared to $17 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;

- dividends on capital securities of $4 million compared to $9 million in 2008, primarily as a result of the redemption of capital securities by GWL in the second quarter of 2009; and

- a loss of $8 million on the redemption of the GWL 12.7% Promissory Notes.

Year-to-date interest expense and other financing charges increased by $40 million to $264 million from $224 million in 2008. This increase was primarily due to the loss of $49 million on the redemption of the GWL 12.7% Promissory Notes.

Income Taxes The effective income tax rate increased to 41.5% in the third quarter of 2009 compared to 28.0% in the third quarter of 2008 and year-to-date 2009 increased to 48.0% compared to 30.5% in 2008. The increase in the third quarter of 2009 and year-to-date when compared to the same periods in 2008 was mainly the result of the foreign exchange losses associated with the effect of foreign exchange on a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments for which a tax benefit has not been fully recognized. 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 from Continuing Operations Net earnings from continuing operations for the third quarter of 2009 were $71 million compared to $119 million in 2008 and on a year-to-date basis, net earnings from continuing operations were $48 million compared to $290 million in 2008. Basic net earnings per common

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

share from continuing operations for the third quarter of 2009 were $0.44 compared to $0.81 in 2008 and year-to-date 2009 basic net earnings per common share from continuing operations were $0.11 compared to $1.96 in 2008.

Basic net earnings per common share from continuing operations were affected in the third quarter of 2009 compared to the third quarter of 2008 by the following factors:

- a $0.58 per common share charge (2008 – nil) related to unrealized foreign exchange losses associated with the effect of foreign exchange on a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments;
- a $0.08 per common share charge (2008 – income of $0.02) related to the effect of stock-based compensation net of equity derivatives of both GWL and Loblaw;
- a $0.10 per common share charge (2008 – $0.19) related to the commodity derivatives fair value adjustment at Weston Foods;
- $0.17 per common share non-cash income (2008 – $0.10) related to the accounting for GWL's forward sale agreement for 9.6 million Loblaw common shares;
- a $0.01 per common share charge (2008 – nil) related to the redemption of the GWL 12.7% Promissory Notes; and
- nil per common share (2008 – $0.08 per common share income) related to the income of Weston Foods' dairy and bottling operations.

The 2009 year-to-date basic net earnings per common share from continuing operations were affected when compared to 2008 by the following factors:

- a $0.26 per common share charge (2008 – nil) related to the reversal of the cumulative foreign currency translation loss associated with Dunedin and certain of its affiliates;
- a $1.60 per common share charge (2008 – nil) related to foreign exchange losses associated with the effect of foreign exchange on a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments;
- a $0.29 per common share charge (2008 – nil) related to the redemption 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 $0.15 per common share charge (2008 – $0.14) related to the effect of stock-based compensation net of equity derivatives of both GWL and Loblaw;
- $0.05 per common share income (2008 – $0.21 per common share charge) related to the commodity derivatives fair value adjustment at Weston Foods;
- $0.21 per common share non-cash income (2008 – $0.24) 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 – $0.20 per common share income) related to the income of Weston Foods' dairy and bottling operations.

Discontinued Operations Net earnings from discontinued operations for the third quarter of 2009 were $15 million compared to $61 million in the same period in 2008 and on a year-to-date basis, net earnings from discontinued operations were $905 million compared to $139 million in 2008. In the third quarter of 2009, an additional $15 million in cash proceeds was received relating to working capital and other adjustments, resulting in an additional gain on disposal of $15 million. The year-to-date net earnings from discontinued operations includes a gain on disposal of $936 million ($898 million after taxes). This year-to-date gain on disposal 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 third quarter of 2009 were $86 million compared to $180 million in the same period in 2008 and on a year-to-date basis, net earnings increased $524 million to $953 million from $429 million in 2008. Basic net earnings per common share for the third quarter of 2009 were $0.56 compared to $1.29 in 2008, including earnings from discontinued operations per common share of $0.12 compared to

$0.48 in the same period in 2008. Year-to-date 2009 basic net earnings per common share of $7.12 increased $4.08 compared to $3.04 in 2008, including earnings from discontinued operations per common share of $7.01 compared to $1.08 in the same period in 2008.

REPORTABLE OPERATING SEGMENTS
Weston Foods

Sales Weston Foods sales for the third quarter of 2009 of $502 million decreased 26.0% 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 25.6%, while foreign currency translation positively impacted sales growth by approximately 1.5%. The combined effect of pricing across key product categories and changes in sales mix was a negative impact of 0.3% for the third quarter of 2009. Volume declined 42.7% for the third quarter of 2009 compared to the same period in 2008, of which 41.1% was due to the sale of the dairy and bottling operations.

On a year-to-date basis, sales of $1,334 million decreased 21.1% 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 27.0%, while foreign currency translation positively impacted sales growth by approximately 4.6%. The combined effect of price increases implemented in 2008 across key product categories and changes in sales mix had a positive impact of 2.0% for year-to-date 2009. Volume declined 42.9% on a year-to-date basis, of which 42.2% 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 3.0% in the third quarter of 2009 compared to the same period in 2008. On a year-to-date basis, sales increased 0.3% compared to the same period in 2008, mainly due to price increases in key product categories combined with changes in sales mix. Volumes decreased slightly in the third quarter of 2009 and year-to-date mainly due to declines in certain categories offset by growth in the *Gadoua* and *Country Harvest* brands and private label products. Sales growth in whole grain and whole wheat products exceeded the sales growth of white flour based products. The introduction of new products such as *Country Harvest Vitality, Gadoua MultiGo, D'Italiano Thintini* and the recently launched *Wonder Invisibles* contributed positively to branded sales during the third quarter and year-to-date 2009.

Frozen bakery sales decreased approximately 1.7% in the third quarter of 2009 compared to the same period in 2008. On a year-to-date basis sales increased 1.5% compared to the same period in 2008, mainly due to price increases combined with changes in sales mix. Overall, volume in the third quarter and year-to-date decreased compared to the same periods in 2008, partially due to the timing of customer orders.

Biscuit sales, principally wafers, ice-cream cones, cookies and crackers, increased approximately 0.9% in the third quarter of 2009 and 3.5% year-to-date compared to the same periods in 2008 driven by price increases combined with changes in sales mix. Overall, volume in the third quarter and year-to-date decreased compared to the same periods in 2008, with growth in certain categories being more than offset by declines in other categories.

Operating Income Weston Foods operating income was $36 million in the third quarter of 2009 compared to $38 million in the same period in 2008. Operating margin was 7.2% for the third quarter of 2009 compared to 5.6% in 2008.

The year-over-year change in the following items influenced operating income for the third quarter of 2009 compared to the third quarter of 2008:
- a charge of $6 million (2008 – income of $13 million) related to the effect of stock-based compensation net of equity derivatives;
- a charge of $17 million (2008 – $37 million) related to the commodity derivatives fair value adjustment; and
- nil (2008 – income of $15 million) related to the income of Weston Foods' dairy and bottling operations.

On a year-to-date basis, Weston Foods operating income decreased 47.6% to $65 million from $124 million in 2008. Operating margin for 2009 was 4.9% compared to 7.3% in 2008.

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

- a charge of $73 million (2008 – nil) related to the non-cash goodwill impairment in Weston Foods' biscuits, cookies, cones and wafers business;
- a charge of $6 million (2008 – income of $3 million) related to the effect of stock-based compensation net of equity derivatives;
- income of $12 million (2008 – charge of $41 million) related to the commodity derivatives fair value adjustment;
- nil (2008 – income of $38 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 a charge of $17 million (2008 – $37 million) during the third quarter of 2009, and on a year-to-date basis income of $12 million (2008 – charge of $41 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 third quarter of 2008 and on a year-to-date basis, the dairy and bottling operations generated sales of $175 million and $448 million, operating income of $15 million and $38 million and earnings before interest, income taxes, depreciation and amortization of $17 million and $43 million, respectively, for Weston Foods.

Weston Foods operating income for the third 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; and income of Weston Foods' dairy and bottling operations. 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 and income in 2008 related to the redemption of the remaining GWL 3% Exchangeable Debentures and the sale of the Domtar (Canada) Paper Inc. shares. Excluding these specific items, operating income in the third quarter of 2009 and on a year-to-date basis was strong compared to the same periods in 2008. Third quarter operating income was positively impacted by lower input costs, lower fuel costs and the benefits realized from productivity improvements and other cost reduction initiatives. On a year-to-date basis, 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, lower fuel costs and the benefits realized from productivity improvements and other cost reduction initiatives, partially offset by higher input costs.

Gross margin increased in the third 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 increased in the third quarter and was relatively flat on a year-to-date basis when compared to the same periods in 2008.

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 third quarter of 2009, a charge of $2 million (2008 – nil) and on a year-to-date basis a charge of $9 million (2008 – $2 million), were recognized in operating income related to these restructuring activities.

EBITDA(1) decreased by $2 million to $54 million in the third quarter of 2009 compared to $56 million in the third quarter of 2008. On a year-to-date basis EBITDA(1) decreased by $60 million, or 35.5%, to $109 million compared to $169 million in 2008. EBITDA margin(1) increased in the third quarter of 2009 to 10.8% from 8.3% 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 8.2% from 10.0% in 2008, mainly due to the goodwill impairment charge taken in the first quarter of 2009.

Loblaw

Sales Sales for the third quarter decreased by 0.2% to $9,473 million compared to $9,493 million in the third quarter of 2008.

The following factors explain the major components that influenced sales for the third quarter of 2009 compared to the same period in 2008:

- same-store sales declined by 0.6%;
- T&T sales positively impacted Loblaw's sales by 0.2%;
- the shift of Thanksgiving holiday sales in the third quarter of 2009 from the fourth quarter of 2008 resulted in higher sales and same-store sales of approximately 0.5%;
- sales were negatively impacted by 0.5% by the sale of Loblaw's food service business in the fourth quarter of 2008;
- sales growth in food and drugstore was modest;
- sales growth in apparel was moderate while sales of other general merchandise declined significantly due to lower discretionary consumer spending and reductions in assortment and square footage;
- gas bar sales declined significantly 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 4.2% as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI") and significantly lower than the second quarter of 2009. In the third quarter of 2008, Loblaw experienced moderate internal retail food price inflation. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores; and
- during the third quarter of 2009, 27 corporate and franchised stores were opened, including 17 acquired T&T stores, and 10 corporate and franchised stores were closed, resulting in a net increase of 0.8 million square feet or 1.6%. During the last four quarters, 50 corporate and franchised stores were opened, including 17 acquired T&T stores, and 33 corporate and franchised stores were closed, resulting in a net increase of 1.0 million square feet, or 2.0%.

On a year-to-date basis, sales increased by 1.6%, to $23,424 million. The following factors, in addition to the quarterly factors mentioned above, further explain the change in year-to-date sales over the same period in 2008:

- same-store sales growth of 1.1%;
- 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 0.1%; and
- sales and same-store sales growth were negatively impacted by 0.2% due to a strike in certain *Maxi* stores in Quebec. These stores reopened in the first quarter of 2009, except for two stores that were permanently closed.

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

Operating Income Operating income was $376 million for the third quarter of 2009 compared to $310 million in the same period in 2008, an increase of 21.3%. Operating margin was 4.0% for the third quarter of 2009 compared to 3.3% in 2008.

Gross profit increased by $68 million to $2,165 million in the third quarter of 2009 compared to $2,097 million in 2008. Gross profit as a percentage of sales was 22.9% in the third quarter of 2009 compared to 22.1% in 2008. In the third quarter of 2009, improved buying synergies, more disciplined vendor management, sales mix and the efficiency of transportation operations contributed to the increase in gross profit and gross profit as a percentage of sales. Lower fuel costs also contributed to the improvement in the third quarter of 2009, partially offset by increased investments in pricing.

The increase in operating income was primarily due to the increases in gross profit and gross profit as a percentage of sales. Included in operating income was a charge of $5 million (2008 – $9 million) related to the effect of stock-based compensation net of equity forwards. Partially offsetting the improvement in operating income were incremental costs of $25 million related to Loblaw's previously announced investment in information technology and supply chain.

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

EBITDA(1) increased by $67 million, or 13.7%, to $555 million in the third quarter of 2009 compared to $488 million in the third quarter of 2008. EBITDA margin(1) increased in the third quarter of 2009 to 5.9% from 5.1% compared to the same period in 2008. The increases in EBITDA(1) and EBITDA margin(1) were primarily due to the increases in operating income and operating margin.

Year-to-date gross profit increased by $297 million to $5,468 million compared to $5,171 million in 2008. Year-to-date gross profit as a percentage of sales was 23.3% compared to 22.4% in 2008. In the first three quarters of 2009, improved buying synergies, more disciplined vendor management, sales mix and the efficiency of transportation operations contributed to the increase in gross profit and gross profit as a percentage of sales. Lower fuel costs also contributed to the improvement in the third quarter of 2009, partially offset by investments in pricing.

Year-to-date operating income for 2009 increased by $196 million, or 27.0%, to $922 million, and resulted in an operating margin of 3.9% compared to 3.1% in the same period in 2008.

Included in 2009 year-to-date operating income is a charge of $17 million (2008 − $24 million) related to the effect of stock-based compensation net of the equity forwards. The improvements in operating income and operating margin were primarily due to higher sales, the improvement in gross profit and lower stock-based compensation costs, partially offset by incremental costs of $61 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 *President's Choice* Bank ("*PC* Bank"), a wholly owned subsidiary of Loblaw, of $8 million (2008 − $14 million).

Year-to-date EBITDA(1) increased by $206 million, or 17.7% to $1,368 million compared to $1,162 million in the same period in 2008. EBITDA margin(1) improved to 5.8% compared to 5.0% in the same period in 2008. The year-to-date increases in EBITDA(1) and EBITDA margin(1) were primarily due to the year-to-date increases in operating income and operating margin.

CONSOLIDATED FINANCIAL CONDITION

Financial Ratios The Company's net debt(1) to equity ratio at the end of the third quarter of 2009 was 0.03:1 compared to 0.73:1 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 third quarter of 2009 compared to the end of the third quarter of 2008 and year end 2008 was primarily due to the reduction in net debt as discussed in

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

the net debt (excluding Exchangeable Debentures)[1] section below 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 positively impacted compared to the third 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 third quarter of 2009 increased to 3.9 times compared to 3.6 times in the third quarter of 2008. On a year-to-date basis the interest coverage decreased to 2.6 times in 2009 compared to 3.6 times in 2008. The increase in the ratio in the third quarter of 2009 was primarily due to the higher non-cash income resulting from the fair value adjustment of GWL's forward sale agreement for 9.6 million Loblaw common shares, partially offset by the loss on the redemption of the GWL 12.7% Promissory Notes. The year-to-date 2009 decrease in the ratio was mainly due to the lower non-cash income resulting from the fair value adjustment of GWL's forward sale agreement and the loss on the redemption of the GWL 12.7% Promissory Notes.

The Company's rolling year return on average net assets[1] at the end of the third quarter of 2009 was 10.0% compared to 9.1% at the end of the same period in 2008 and 11.2% at year end 2008. The Company's rolling year return on average common shareholders' equity was 6.9% at the end of the third quarter of 2009 compared to 8.7% at the end of the third quarter of 2008 and 13.4% for the year end 2008 return.

Capital Securities On April 1, 2009, the 10.6 million GWL preferred shares, Series II, were redeemed 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 third 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 third 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, in each case, at the end of the third 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 three quarters of 2009 or in 2008.

Further information on the Company's capital securities and outstanding share capital is provided in note 16 to the unaudited interim period consolidated financial statements.

Dividends On October 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 September 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 third quarter of 2009 was maintained at the 2008 quarterly dividend rate.

Subsequent to the end of the third 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 January 1, 2010, were declared by GWL's Board of

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

Directors. In addition, dividends of $0.36 per share for Series I preferred shares, payable on December 15, 2009 were also declared.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities of Continuing Operations Third quarter 2009 cash flows from operating activities of continuing operations were $879 million compared to $325 million in the same period in 2008. On a year-to-date basis, cash flows from operating activities of continuing operations were $1,349 million compared to $362 million in 2008. The increases in cash flows from operating activities of continuing operations for the third 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.

Cash Flows (used in) from Investing Activities of Continuing Operations Third quarter 2009 cash flows used in investing activities of continuing operations were $164 million compared to cash flows from investing activities of continuing operations of $24 million in 2008. On a year-to-date basis, cash flows used in investing activities of continuing operations were $1,311 million compared to $225 million in 2008. The third quarter increase in cash flows used in investing activities of continuing operations was due to the acquisition of T&T by Loblaw, the decrease in cash flows from credit card receivables, after securitization, partially offset by a decrease in short term investments in 2009. The year-to-date 2009 increase in cash flows used in investing activities of continuing operations was due to the increase in short term investments in 2009, the acquisition of T&T by Loblaw and an increase in fixed asset purchases at Loblaw. 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 third quarter of 2009 amounted to $293 million (2008 – $212 million) and year-to-date amounted to $640 million (2008 – $424 million).

Cash Flows used in Financing Activities of Continuing Operations Third quarter 2009 cash flows used in financing activities of continuing operations were $213 million compared to $376 million in 2008. On a year-to-date basis, cash flows used in financing activities of continuing operations were $853 million compared to $296 million in 2008. The third quarter decrease in cash flows used in financing activities of continuing operations was due to lower repayments of short term debt in 2009 and a decrease in cash flows from capital securities due to the issuance of capital securities by Loblaw in 2008. The year-to-date increase in cash flows used in financing activities of continuing operations was due to a decrease in bank indebtedness, the redemption of GWL's 10.6 million preferred shares, Series II, for $265 million and a decrease in cash flows from capital securities due to the issuance of capital securities by Loblaw in 2008.

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 DRIP with respect to approximately 160 million Loblaw common shares owned by the Company. As a result of the common shares issued under the DRIP, the Company's proportional ownership of Loblaw has changed and is 62.1% at the end of the third quarter of 2009 compared to 61.9% at the end of the third quarter of 2008 and at year end 2008. On October 1, 2009 and July 1, 2009, Loblaw issued 1,298,568 and 1,163,201 common shares, respectively, from treasury at a three percent (3%) discount to market, resulting in net cash savings to the Company of approximately $11 million.

Also during the second quarter of 2009, GWL entered into an agreement to repurchase a portion of the 12.7% Promissory Notes, due 2030. During the third quarter of 2009, GWL repurchased these and all of the remaining notes, pursuant to the terms of the notes, for an aggregate purchase price of $73 million. As a result, GWL recorded a loss of $8 million and $49 million for the third quarter and year-to-date 2009, respectively, in interest expense and other financing charges. The repurchase resulted in an after-tax loss of $37 million.

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 $233 million as at October 10, 2009 from $3,967 million at October 4, 2008. Of the $3,734 million reduction, the proceeds from the sale of the U.S. fresh bakery business accounted for $3,107 million and the proceeds from the sale of Weston Foods' dairy and bottling operations in the fourth quarter of 2008 accounted for $467 million. The reduction was also largely attributable to improvements in working capital at Loblaw, offset in part by the redemption of the GWL preferred shares, Series II, for $265 million and the acquisition of T&T by Loblaw.

During the first three quarters of 2009, net debt[1] decreased by $3,018 million, primarily due to the proceeds from the sale of Weston Foods' U.S. fresh bakery business, working capital improvements at Loblaw and the proceeds from securitization of *PC* Bank receivables, which were offset in part by the redemption of the GWL preferred shares, Series II, and the acquisition of T&T by Loblaw. During the first three quarters of 2008, net debt (excluding Exchangeable Debentures)[1] decreased by $324 million, primarily due to the proceeds from securitization of *PC* Bank receivables, the proceeds from the sale of the Domtar investment which funded the retirement of the Weston 3% Exchangeable Debentures and the issuance of second preferred shares, Series A, by Loblaw, which were offset in part by a deterioration in non-cash working capital at Loblaw.

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 – $116 million) on a portion of the securitized amount. A portion of the securitized receivables held by an independent trust facility was renewed for a 364-day term in the third quarter of 2009. 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 Loblaw's existing $800 million 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 impediments 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.

During the third quarter of 2009, Dominion Bond Rating Service ("DBRS") revised the trend on Loblaw's long term ratings and Standard & Poor's ("S&P") revised the outlook on its Loblaw ratings to stable from negative.

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 the maturity profile of its funding sources.

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

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

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 impediments in satisfying its long term obligations at this time.

During the first quarter of 2009, Dominion 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, 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 the maturity profile of its funding sources. 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 impediments 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 third quarter of 2009 was $377 million (2008 – $380 million) including $143 million (2008 – $151 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 time. At the end of the third 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 was renewed. This facility has a further 12 month repayment term on its maturity date and is the source of funding to the independent trusts. 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 Loblaw shares, which led to the extinguishment of a corresponding portion of the associated liability. As a result, at the end of the third quarter of 2009, Loblaw had equity forwards to buy 3.2 million (2008 – 4.8 million) of its common shares at an average forward price of $53.76 (2008 – $54.22) including $9.14 (2008 – $9.35) per common share of interest expense, net of dividends. At the end of the third quarter of 2009 the interest and unrealized market loss of $71 million (2008 – $117 million) was included in accounts payable and accrued liabilities.

Employee Future Benefit Contributions During the third quarter of 2009, the Company contributed $40 million (2008 – $29 million) and year-to-date contributed $89 million (2008 – $63 million) to its registered defined benefit pension plans. The Company expects to contribute $30 million to these plans in the fourth quarter of 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)

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
($ millions except where otherwise indicated)	**2009**	2008	2009	2008	2009	2008	2008	2007
Sales	**$ 9,777**	$ 9,879	$ 7,484	$ 7,324	$ 7,022	$ 6,835	$ 8,050	$ 7,228
Net earnings (loss) from continuing operations(1)	**$ 71**	$ 119	$ 4	$ 87	$ (27)	$ 84	$ 357	$ 112
Net earnings	**$ 86**	$ 180	$ 4	$ 118	$ 863	$ 131	$ 405	$ 153
Net earnings (loss) per common share from continuing operations ($)								
Basic and diluted(1)	**$ 0.44**	$ 0.81	$ (0.05)	$ 0.60	$ (0.28)	$ 0.55	$ 2.69	$ 0.76
Net earnings (loss) per common share ($)								
Basic and diluted(1)	**$ 0.56**	$ 1.29	$ (0.05)	$ 0.84	$ 6.61	$ 0.91	$ 3.06	$ 1.08

(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 decreased in the third quarter of 2009 compared to the third quarter of 2008 due to decreases at both Weston Foods and Loblaw. In the fourth quarter of 2008 and the first three quarters 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;
- 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 the effect of foreign exchange on 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 redemption of the GWL 12.7% Promissory Notes in the second and third quarters 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 sixteen weeks ended October 10, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Management has considered the acquired T&T business in its scoping and testing for the quarter. 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 Although the economic conditions in Canada and the United States have improved since the beginning of the year, the Company remains cautious that the economic factors that impact consumer spending patterns could deteriorate. These factors include continued high levels of unemployment, changes in interest rates, reduced disposable income and access to credit and changes in inflation. One or more of these factors could negatively affect the Company's sales and margins. Inflationary trends are unpredictable and changes in the rate of inflation will affect consumer prices, which in turn could have a negative effect on the results of the Company. Management regularly monitors economic conditions and their impact on the Company's operations, and incorporates these estimates in short term operating and longer term strategic decisions.

SUBSEQUENT EVENT

Subsequent to the end of the third quarter of 2009, due to an internal reorganization, the Company reduced its net investment in self-sustaining foreign operations. As a result, a cumulative foreign currency translation loss of approximately $56 million, which was previously reflected in accumulated other comprehensive loss in shareholders' equity, will be reversed and included in operating income in the fourth quarter of 2009. This loss will have no impact on the Company's reported assets, liabilities or total shareholders' equity.

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 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 $11 million ($22 million year-to-date), a decrease in depreciation and amortization of $12 million ($25 million year-to-date), a decrease in future tax expense of $1 million (nil year-to-date) and an increase in minority interest of $1 million ($2 million year-to-date), resulting in an increase in net earnings for the third quarter of $1 million ($1 million year-to-date). Restatement of the comparative period also resulted in a decrease to other assets of $51 million, a decrease to retained earnings net of income taxes and minority interest of $21 million, a decrease in future income taxes liability of $17 million and a decrease in minority interest of $13 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.

FUTURE ACCOUNTING STANDARDS

Financial Instruments – Disclosures In June 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures," to include additional disclosure relating to the measurement of fair value for financial instruments and liquidity risk. The amendment establishes a three level hierarchy that reflects the significance of the inputs used in fair value measurements on financial instruments. The amendment is effective for annual financial statements relating to fiscal years ending after September 30, 2009, therefore the Company will implement these additional disclosures in its 2009 annual audited financial statements. The impact of implementing these amendments on the Company's financial statement disclosures is currently being assessed.

Business Combinations In January 2009, the CICA issued Section 1582, "Business Combinations," which will replace Section 1581 of the same title, and issued Sections 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests". These standards will harmonize Canadian GAAP with International Financial Reporting Standards ("IFRS"). The amendments establish principles and requirements for determining how an enterprise recognizes and measures the fair value of certain assets and liabilities acquired in a business combination, including non-controlling interests, contingent consideration and certain acquired contingencies. The amendments also require that acquisition related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. These amendments are effective for business combinations with an acquisition date on or after January 1, 2011 and early adoption is permitted. The impact of implementing these amendments on the Company's financial statements is currently being assessed.

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 to 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.

The 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, are being examined.

The 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 expects satisfactory operating performance for the remainder of 2009. To help offset economic pressures, the Company is continuing its efforts to reduce costs through improved efficiencies and productivity and by optimizing the product mix to meet changing consumer buying preferences.

As Loblaw progressed through its third quarter, sales were increasingly impacted by the significant decline in inflation and the ramp-up of pricing investments. Earnings benefited from cost containment and supply chain efficiencies. Loblaw expects that sales and margins will be challenged due to decreasing inflation, competitive intensity and ongoing renovation and infrastructure 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.

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 they may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other financial measures determined in accordance with Canadian GAAP.

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

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

($ millions)	**Weston Foods**	**Loblaw**	**Other[(2)]**	**Consolidated**	Weston Foods	Loblaw	Consolidated
				16 Weeks Ended Oct. 10, 2009			16 Weeks Ended Oct. 4, 2008
Net earnings from continuing operations				**$ 71**			$ 119
Add impact of the following:							
Minority interest				**77**			66
Income taxes				**105**			72
Interest expense and other financing charges				**80**			91
Operating income (loss)	**$ 36**	**$ 376**	**$ (79)**	**$ 333**	$ 38	$ 310	$ 348
Depreciation and amortization[(1)]	**18**	**179**		**197**	18	178	196
EBITDA	**$ 54**	**$ 555**	**$ (79)**	**$ 530**	$ 56	$ 488	$ 544

(1) Includes depreciation of $13 million (2008 – $13 million) included in cost of inventories sold.

(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. 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 third quarter of 2009 included $79 million (2008 – nil) of foreign exchange losses associated with the effect of foreign exchange on a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments held in integrated foreign subsidiaries.

($ millions)	**Weston Foods**	**Loblaw**	**Other[(2)]**	**Consolidated**	Weston Foods	Loblaw	Consolidated
				40 Weeks Ended Oct. 10, 2009			40 Weeks Ended Oct. 4, 2008
Net earnings from continuing operations				**$ 48**			$ 290
Add impact of the following:							
Minority interest				**190**			145
Income taxes				**220**			191
Interest expense and other financing charges				**264**			224
Operating income (loss)	**$ 65**	**$ 922**	**$ (265)**	**$ 722**	$ 124	$ 726	$ 850
Depreciation and amortization[(1)]	**44**	**446**		**490**	45	436	481
EBITDA	**$ 109**	**$ 1,368**	**$ (265)**	**$ 1,212**	$ 169	$ 1,162	$ 1,331

(1) Includes depreciation of $34 million (2008 – $33 million) included in cost of inventories sold.

(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, year-to-date 2009 operating income included $231 million (2008 – nil) of foreign exchange losses associated with the effect of foreign exchange on a portion of the Company's (excluding Loblaw's) USD denominated cash and short term investments held in integrated foreign subsidiaries.

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)	**Oct. 10, 2009**	Oct. 4, 2008	Dec. 31, 2008	Dec. 31, 2007
Bank indebtedness	**$ 6**	$ 133	$ 93	$ 36
Short term debt	**291**	826	453	859
Long term debt due within one year	**342**	413	415	432
Long term debt	**5,271**	5,277	5,308	5,494
Other liabilities	**36**			
Fair value of financial derivative assets	**(491)**	(400)	(318)	(441)
	5,455	6,249	5,951	6,380
Less: Cash and cash equivalents	**3,452**	1,121	1,446	1,052
Short term investments	**1,397**	696	694	461
Security deposits	**373**	465	560	419
Net debt	**233**	3,967	3,251	4,448
Less: Exchangeable Debentures				157
Net debt (excluding Exchangeable Debentures)	**$ 233**	$ 3,967	$ 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 period 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)	**Oct. 10, 2009**	Oct. 4, 2008
Canadian GAAP total assets	**$ 19,769**	$ 18,753
Less: Cash and cash equivalents	**3,452**	1,121
Short term investments	**1,397**	696
Security deposits	**373**	465
Current assets of operations held for sale		307
Fair value of GWL forward sale agreement for 9.6 million Loblaw shares	**461**	439
Long term assets of operations held for sale		2,039
Accounts payable and accrued liabilities	**3,428**	2,904
Net assets	**$ 10,658**	$ 10,782

Consolidated Statements of Earnings
(unaudited)

($ millions except where otherwise indicated)	16 Weeks Ended **Oct. 10, 2009**	16 Weeks Ended Oct. 4, 2008 (restated[1])	40 Weeks Ended **Oct. 10, 2009**	40 Weeks Ended Oct. 4, 2008 (restated[1])
Sales	**$ 9,777**	$ 9,879	**$ 24,283**	$ 24,038
Operating Expenses				
Cost of inventories sold (note 11)	**7,442**	7,614	**18,331**	18,399
Selling, administrative and other expenses	**1,818**	1,734	**4,701**	4,341
Depreciation and amortization (note 11)	**184**	183	**456**	448
Goodwill impairment (note 12)			**73**	
	9,444	9,531	**23,561**	23,188
Operating Income	**333**	348	**722**	850
Interest Expense and Other Financing Charges (note 5)	**80**	91	**264**	224
Earnings from Continuing Operations Before the Following:	**253**	257	**458**	626
Income Taxes (note 6)	**105**	72	**220**	191
	148	185	**238**	435
Minority Interest	**77**	66	**190**	145
Net Earnings from Continuing Operations	**71**	119	**48**	290
Discontinued Operations (note 4)	**15**	61	**905**	139
Net Earnings	**$ 86**	$ 180	**$ 953**	$ 429
Net Earnings per Common Share – Basic and Diluted ($)				
Continuing Operations (note 7)	**$ 0.44**	$ 0.81	**$ 0.11**	$ 1.96
Discontinued Operations	**$ 0.12**	$ 0.48	**$ 7.01**	$ 1.08
Net Earnings	**$ 0.56**	$ 1.29	**$ 7.12**	$ 3.04

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)	40 Weeks Ended Oct. 10, 2009	Oct. 4, 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)**	(22)
Net earnings	**953**	429
Dividends declared		
Per common share ($) – $1.08 (2008 – $1.08)	**(139)**	(139)
Per preferred share ($) – Series I – $1.09 (2008 – $1.09)	**(10)**	(10)
– Series II – $0.32 (2008 – $0.97) (notes 5 & 16)		(3)
– Series III – $0.97 (2008 – $0.97)	**(8)**	(8)
– Series IV – $0.97 (2008 – $0.97)	**(7)**	(7)
– Series V – $0.89 (2008 – $0.89)	**(7)**	(7)
Retained Earnings, End of Period	**$ 6,060**	$ 4,932
Accumulated Other Comprehensive Loss, Beginning of Period	**$ (322)**	$ (999)
Cumulative impact of implementing new accounting standards (note 2)	**(1)**	
Other comprehensive income	**166**	293
Accumulated Other Comprehensive Loss, End of Period (note 17)	**$ (157)**	$ (706)
Total Shareholders' Equity	**$ 6,853**	$ 5,176

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

Consolidated Statements of Comprehensive Income

(unaudited)

($ millions)	16 Weeks Ended Oct. 10, 2009	16 Weeks Ended Oct. 4, 2008 (restated[(1)])	40 Weeks Ended Oct. 10, 2009	40 Weeks Ended Oct. 4, 2008 (restated[(1)])
Net earnings	**$ 86**	$ 180	**$ 953**	$ 429
Other comprehensive (loss) income net of income taxes and minority interest				
Foreign currency translation adjustment	**(59)**	163	**24**	303
Reclassification of cumulative foreign currency translation loss to net earnings			**144**	
	(59)	163	**168**	303
Net unrealized (loss) gain on available-for-sale financial assets	**(7)**	6	**(14)**	20
Reclassification of loss (gain) on available-for-sale financial assets to net earnings	**10**	(5)	**(5)**	(6)
	3	1	**(19)**	14
Net (loss) gain on derivatives designated as cash flow hedges	**(1)**	(4)	**1**	(10)
Reclassification of (gain) loss on derivatives designated as cash flow hedges to net earnings	**(1)**	(2)	**16**	(14)
	(2)	(6)	**17**	(24)
Other comprehensive (loss) income	**(58)**	158	**166**	293
Total Comprehensive Income	**$ 28**	$ 338	**$ 1,119**	$ 722

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)	Oct. 10, 2009 (unaudited)	As at Oct. 4, 2008 (restated[1]) (unaudited)	Dec. 31, 2008 (restated[1])
ASSETS			
Current Assets			
Cash and cash equivalents (note 8)	**$ 3,452**	$ 1,121	$ 1,446
Short term investments	**1,397**	696	694
Accounts receivable (note 9)	**666**	817	958
Inventories (note 11)	**2,266**	2,331	2,307
Income taxes		34	
Future income taxes	**66**	85	69
Prepaid expenses and other assets	**104**	72	75
Current assets of operations held for sale (note 4)		307	2,588
Total Current Assets	**7,951**	5,463	8,137
Fixed Assets	**8,744**	8,390	8,542
Goodwill and Intangible Assets (note 12)	**1,250**	1,138	1,134
Future Income Taxes	**93**	29	36
Other Assets	**1,731**	1,694	1,714
Long Term Assets of Operations Held for Sale (note 4)		2,039	
Total Assets	**$ 19,769**	$ 18,753	$ 19,563
LIABILITIES			
Current Liabilities			
Bank indebtedness	**$ 6**	$ 133	$ 93
Accounts payable and accrued liabilities	**3,428**	2,904	3,121
Income taxes	**38**		38
Short term debt (note 14)	**291**	826	453
Long term debt due within one year (note 15)	**342**	413	415
Capital securities (note 16)		263	264
Current liabilities of operations held for sale (note 4)		388	620
Total Current Liabilities	**4,105**	4,927	5,004
Long Term Debt (note 15)	**5,271**	5,277	5,308
Future Income Taxes	**322**	278	273
Other Liabilities	**633**	524	615
Capital Securities (note 16)	**219**	219	219
Minority Interest	**2,366**	2,173	2,234
Long Term Liabilities of Operations Held for Sale (note 4)		179	
Total Liabilities	**12,916**	13,577	13,653
SHAREHOLDERS' EQUITY			
Share Capital (note 16)	**950**	950	950
Retained Earnings	**6,060**	4,932	5,282
Accumulated Other Comprehensive Loss (note 17)	**(157)**	(706)	(322)
Total Shareholders' Equity	**6,853**	5,176	5,910
Total Liabilities and Shareholders' Equity	**$ 19,769**	$ 18,753	$ 19,563

Contingencies, commitments and guarantees (note 19).
Subsequent event (note 22).

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)	16 Weeks Ended Oct. 10, 2009	16 Weeks Ended Oct. 4, 2008 (restated[(1)])	40 Weeks Ended Oct. 10, 2009	40 Weeks Ended Oct. 4, 2008 (restated[(1)])
Operating Activities				
Net earnings from continuing operations before minority interest	**$ 148**	$ 185	**$ 238**	$ 435
Depreciation and amortization	**197**	196	**490**	481
Goodwill impairment (note 12)			**73**	
Foreign exchange losses (note 21)	**79**		**265**	
Loss on redemption of debt (notes 5 &15)	**8**		**49**	
Settlement of equity forward contracts (note 18)			**(38)**	
Future income taxes	**(16)**	(19)	**(45)**	(29)
Fair value adjustment of GWL's forward sale agreement (note 5)	**(29)**	(17)	**(36)**	(41)
Change in non-cash working capital	**490**	(6)	**375**	(519)
Other	**2**	(14)	**(22)**	35
Cash Flows from Operating Activities of Continuing Operations	**879**	325	**1,349**	362
Investing Activities				
Fixed asset purchases	**(293)**	(212)	**(640)**	(424)
Short term investments	**294**	(5)	**(801)**	(177)
Proceeds from fixed asset sales	**4**	48	**10**	62
Business acquisition - net of cash acquired (note 3)	**(194)**		**(194)**	(10)
Domtar investment				144
Credit card receivables, after securitization (note 9)	**28**	200	**236**	232
Franchise investments and other receivables	**5**	1	**(4)**	(19)
Security deposits and other	**(8)**	(8)	**82**	(33)
Cash Flows (used in) from Investing Activities of Continuing Operations	**(164)**	24	**(1,311)**	(225)
Financing Activities				
Bank indebtedness	**3**	49	**(89)**	97
Short term debt (note 14)	**9**	(471)	**(162)**	(33)
Long term debt - Issued (note 15)	**10**		**370**	301
- Retired (note 15)	**(91)**	(13)	**(480)**	(561)
Capital securities - Issued		218		218
- Retired (note 16)			**(265)**	
Dividends - To common shareholders	**(92)**	(93)	**(139)**	(186)
- To preferred shareholders	**(19)**	(22)	**(33)**	(44)
- To minority shareholders	**(33)**	(44)	**(55)**	(88)
Cash Flows used in Financing Activities of Continuing Operations	**(213)**	(376)	**(853)**	(296)
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents	**(124)**	53	**(196)**	98
Cash Flows from (used in) Continuing Operations	**378**	26	**(1,011)**	(61)
Cash Flows from Discontinued Operations (note 4)	**15**	90	**3,017**	130
Change in Cash and Cash Equivalents	**393**	116	**2,006**	69
Cash and Cash Equivalents, Beginning of Period	**3,059**	1,005	**1,446**	1,052
Cash and Cash Equivalents, End of Period	**$ 3,452**	$ 1,121	**$ 3,452**	$ 1,121

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 62.1% at the end of the third quarter of 2009 and 61.9% at the end of the third quarter of 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.

Future Accounting Standards

Financial Instruments – Disclosures In June 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures," to include additional disclosure relating to the measurement of fair value for financial instruments and liquidity risk. The amendment establishes a three level hierarchy that reflects the significance of the inputs used in fair value measurements on financial instruments. The amendment is effective for annual financial statements relating to fiscal years ending after September 30, 2009, therefore the Company will implement these additional disclosures in its 2009 audited annual consolidated financial statements. The impact of implementing these amendments on the Company's financial statement disclosures is currently being assessed.

Business Combinations In January 2009, the CICA issued Section 1582, "Business Combinations," which will replace Section 1581 of the same title, and issued Sections 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests". These standards will harmonize Canadian GAAP with International Financial

Reporting Standards ("IFRS"). The amendments establish principles and requirements for determining how an enterprise recognizes and measures the fair value of certain assets and liabilities acquired in a business combination, including non-controlling interests, contingent consideration and certain acquired contingencies. The amendments also require that acquisition related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. These amendments are effective for business combinations with an acquisition date on or after January 1, 2011 and early adoption is permitted. The impact of implementing these amendments on the Company's financial statements is currently being assessed.

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 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 $11 million ($22 million year-to-date), a decrease in depreciation and amortization of $12 million ($25 million year-to-date), a decrease in future tax expense of $1 million (nil year-to-date) and an increase in minority interest of $1 million ($2 million year-to-date), resulting in an increase in net earnings for the third quarter of $1 million ($1 million year-to-date). Restatement of the comparative period also resulted in a decrease to other assets of $51 million, a decrease to retained earnings net of income taxes and minority interest of $21 million, a decrease in future income taxes liability of $17 million and a decrease in minority interest of $13 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. Business Acquisitions

On September 28, 2009, Loblaw acquired all of the outstanding common shares of T&T Supermarket Inc. ("T&T"), for cash consideration of $191 million. Loblaw also assumed a liability of $34 million associated with the preferred shares issued by T&T to a vendor prior to the acquisition. The liability will increase with favourable performance of the T&T business, and the increase in the liability will be expensed as incurred. $3 million of acquisition costs were incurred in connection with the acquisition. The acquisition was accounted for using the purchase method of accounting and accordingly, the consolidated financial statements include the results of operations since the date of the acquisition.

The preferred shares are classified as other liabilities on the consolidated balance sheet as at October 10, 2009. Redemption or purchase of the preferred shares may take place upon the occurrence of certain events, including the expiry of 5 years from the closing date of the acquisition. The preferred shareholder may increase this period up to a further 5 years if certain conditions are met. The preferred share liability may be satisfied in cash, Loblaw common shares, or a combination thereof, at the option of Loblaw.

Management expects to finalize the purchase price allocation prior to the end of fiscal 2009. As a result, the actual amount allocated to each of the identifiable net assets may vary from preliminary amounts.

The preliminary purchase price allocation, based on management's current assessment of fair value is as follows:

Net assets acquired:		
Inventory	$	39
Other current assets		11
Fixed assets		70
Goodwill and other indefinite life intangible assets		180
Other long term assets		14
Current liabilities		(69)
Other liabilities		(36)
Future income taxes		(18)
Cash consideration	$	191

In connection with the acquisition of T&T, Loblaw also acquired certain net assets for $5 million.

During the second quarter of 2009, Loblaw commenced a Dividend Reinvestment Plan ("the 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 DRIP with respect to approximately 160 million Loblaw common shares owned by the Company. As a result of the common shares issued under the DRIP during the third quarter of 2009, the Company's proportional ownership of Loblaw changed and was accounted for as a step acquisition of Loblaw by the Company, resulting in an increase to goodwill of $6 million (see note 12).

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. In the third quarter of 2009, an additional $15 million in cash proceeds was received relating to working capital and other adjustments, resulting in an additional gain on disposal of $15 million.

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 October 4, 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:

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 10, 2009**	Oct. 4, 2008	**Oct. 10, 2009**(1)	Oct. 4, 2008
Sales		$ 732	**$ 145**	$ 1,757
Operating income		66	**9**	158
Gain on disposal(2)	**$ 15**		**936**	
Interest income(3)		(4)	**(1)**	(8)
Earnings before the following:	**15**	70	**946**	166
Income taxes		9	**41**	27
Earnings from discontinued operations	**$ 15**	$ 61	**$ 905**	$ 139

(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, which was recorded in the first quarter of 2009, associated with the U.S. fresh bakery business that was previously reflected in accumulated other comprehensive loss (see note 17).
(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 October 4, 2008 and December 31, 2008 were as follows:

	As at	
($ millions)	Oct. 4, 2008	Dec. 31, 2008
Current assets of operations held for sale		
Accounts receivable	$ 209	$ 219
Inventories	37	40
Prepaid expenses and other assets	8	211
Fixed assets		618
Goodwill and intangible assets		1,364
Future income taxes	53	136
	$ 307	$ 2,588
Long term assets of operations held for sale		
Fixed assets	$ 550	
Goodwill and intangible assets	1,226	
Future income taxes	83	
Other assets	180	
	$ 2,039	
Current liabilities of operations held for sale		
Bank indebtedness	$ 20	$ 22
Accounts payable and accrued liabilities	322	354
Income taxes	46	52
Future income taxes		2
Other liabilities		190
	$ 388	$ 620
Long term liabilities of operations held for sale		
Future income taxes	$ 2	
Other liabilities	177	
	$ 179	

The cash flows from discontinued operations were as follows:

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 10, 2009**	Oct. 4, 2008	**Oct. 10, 2009**[(1)]	Oct. 4, 2008
Cash flows from (used in) operations		$ 111	**$ (105)**	$ 171
Cash flows from (used in) investing	**$ 15**	(13)	**3,107**	(34)
Cash flows (used in) from financing		(8)	**15**	(7)
Cash flows from discontinued operations	**$ 15**	$ 90	**$ 3,017**	$ 130

(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. Interest Expense and Other Financing Charges

($ millions)	16 Weeks Ended Oct. 10, 2009	16 Weeks Ended Oct. 4, 2008	40 Weeks Ended Oct. 10, 2009	40 Weeks Ended Oct. 4, 2008
Interest on long term debt	**$ 115**	$ 118	**$ 285**	$ 300
Loss on redemption of debt (note 15)	**8**		**49**	
Interest expense on financial derivative instruments		1	**3**	1
Other financing charges[1]	**(36)**	(25)	**(52)**	(61)
Net short term interest income	**(4)**	(3)	**(16)**	(6)
Interest income on security deposits	**(1)**	(3)	**(4)**	(9)
Dividends on capital securities	**4**	9	**15**	14
Capitalized to fixed assets	**(6)**	(6)	**(16)**	(15)
Interest expense and other financing charges	**$ 80**	$ 91	**$ 264**	$ 224

(1) Other financing charges for the third quarter and year-to-date 2009 includes non-cash income of $29 million (2008 – $17 million) and non-cash income of $36 million (2008 – $41 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 third quarter and year-to-date 2009 is forward accretion income of $11 million and $28 million (2008 – $13 million and $33 million), respectively, net of the forward fee of $4 million and $12 million (2008 – $5 million and $13 million), respectively, associated with GWL's forward sale agreement.

During the third quarter and year-to-date 2009, net interest expense and other financing charges of $113 million and $321 million (2008 – $127 million and $309 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 third quarter and year-to-date 2009 were $134 million and $389 million (2008 – $145 million and $431 million), respectively, and interest received on cash, short term investments and security deposits was $18 million and $74 million (2008 – $41 million and $129 million), respectively.

6. Income Taxes

The effective income tax rate increased to 41.5% in the third quarter of 2009 compared to 28.0% in the third quarter of 2008 and year-to-date 2009 increased to 48.0% compared to 30.5% in 2008. The increase in the third quarter of 2009 and year-to-date when compared to the same periods in 2008 was mainly the result of the foreign exchange losses associated with the effect of foreign exchange on a portion of the Company's (excluding Loblaw's) USD denominated cash and cash equivalents and short term investments for which a tax benefit has not been fully recognized. 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 third quarter were $63 million (2008 – income taxes received were $10 million) and year-to-date 2009 net income taxes paid were $267 million (2008 – $105 million).

7. Basic and Diluted Net Earnings per Common Share from Continuing Operations

	16 Weeks Ended		40 Weeks Ended	
($ millions except where otherwise indicated)	**Oct. 10, 2009**	Oct. 4, 2008	**Oct. 10, 2009**	Oct. 4, 2008
Net earnings from continuing operations	**$ 71**	$ 119	**$ 48**	$ 290
Prescribed dividends on preferred shares in share capital	**(14)**	(14)	**(34)**	(37)
Net earnings from continuing operations available to common shareholders	**$ 57**	$ 105	**$ 14**	$ 253
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 earnings per common share from continuing operations ($)	**$ 0.44**	$ 0.81	**$ 0.11**	$ 1.96

(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 earnings per common share from continuing operations. Accordingly, for the third quarter and year-to-date 2009, 1,476,502 (2008 – 1,321,928) stock options, with a weighted average exercise price of $81.91 (2008 – $86.58) per common share, were excluded from the computation of diluted net earnings per common share from continuing operations.

8. Cash and Cash Equivalents

The components of cash and cash equivalents as at October 10, 2009, October 4, 2008 and December 31, 2008 were as follows:

	As at		
($ millions)	**Oct. 10, 2009**	Oct. 4, 2008	Dec. 31, 2008
Cash	**$ 124**	$ 72	$ 85
Cash equivalents - short term investments with a maturity date of 90 days or less:			
Bank term deposits	**1,004**	35	101
Government treasury bills	**1,694**	458	656
Government-sponsored debt securities	**231**	289	107
Corporate commercial paper	**399**	267	450
Foreign bonds			47
Cash and cash equivalents	**$ 3,452**	$ 1,121	$ 1,446

As at October 10, 2009, USD $2,206 million (October 4, 2008 – USD $2,047 million; December 31, 2008 – USD $2,126 million) is included in cash and cash equivalents, short term investments and security deposits.

In the third quarter of 2009, the Company recognized an unrealized foreign exchange loss of $210 million (2008 – gain of $110 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 $124 million (2008 – a gain of $53 million) related to cash and cash equivalents. Loblaw recognized an unrealized foreign exchange loss of $93 million (2008 – gain of $52 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 $54 million (2008 – a gain of $21 million) related to cash and cash equivalents. The remaining unrealized foreign exchange loss of $117 million (2008 – gain of $58 million) includes a loss of $70 million (2008 – gain of $32 million) related to the translation of cash and cash equivalents held by GWL's foreign operations. During the third quarter of 2009, $79 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 $356 million (2008 – gain of $200 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 $196 million (2008 – gain of $98 million) related to cash and cash equivalents. Loblaw recognized an unrealized foreign exchange loss of $156 million (2008 – gain of $94 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 $77 million (2008 – gain of $37 million) related to cash and cash equivalents. The remaining unrealized foreign exchange loss of $200 million (2008 – gain of $106 million) includes a loss of $119 million (2008 – gain of $61 million) related to the translation of cash and cash equivalents held by GWL's foreign operations. Year-to-date 2009, $231 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 loss (2008 – gain) on cash and cash equivalents, short term investments and security deposits, is offset in operating income and other comprehensive (loss) income by the unrealized foreign currency exchange gain of $93 million (2008 – loss of $51 million) quarter-to-date and the gain of $155 million (2008 – loss of $93 million) year-to-date on Loblaw's cross currency swaps.

9. 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 held by an independent trust facility was renewed for a 364-day term during the third quarter of 2009. 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 – $116 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)	**Oct. 10, 2009**	Oct. 4, 2008	Dec. 31, 2008
Credit card receivables	**$ 1,955**	$ 2,065	$ 2,206
Amount securitized	**(1,775)**	(1,775)	(1,775)
Net credit card receivables	**180**	290	431
Other receivables	**486**	527	527
Accounts receivable	**$ 666**	$ 817	$ 958

Credit card receivables that were past due of $4 million as at October 10, 2009 (October 4, 2008 – $6 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 is 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 $36 million as at October 10, 2009 (October 4, 2008 – $68 million).

10. 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

	16 Weeks Ended		40 Weeks Ended		Year Ended
($ millions)	**Oct. 10, 2009**	Oct. 4, 2008	**Oct. 10, 2009**	Oct. 4, 2008	Dec. 31, 2008
Allowances at beginning of period	**$ (15)**	$ (13)	**$ (15)**	$ (13)	$ (13)
Provision for losses	**(7)**	(14)	**(15)**	(26)	(35)
Recoveries	**(4)**	(5)	**(7)**	(9)	(14)
Write-offs	**11**	19	**22**	35	47
Allowances at end of period	**$ (15)**	$ (13)	**$ (15)**	$ (13)	$ (15)

Other Receivables

	16 Weeks Ended		40 Weeks Ended		Year Ended
($ millions)	**Oct. 10, 2009**	Oct. 4, 2008	**Oct. 10, 2009**	Oct. 4, 2008	Dec. 31, 2008
Allowances at beginning of period	**$ (35)**	$ (44)	**$ (32)**	$ (44)	$ (44)
Provision for losses	**(41)**	(30)	**(76)**	(58)	(84)
Write-offs	**38**	37	**70**	65	96
Allowances at end of period	**$ (38)**	$ (37)	**$ (38)**	$ (37)	$ (32)

11. Inventories

		As at	
($ millions)	**Oct. 10, 2009**	Oct. 4, 2008	Dec. 31, 2008
Raw materials and supplies	**$ 34**	$ 42	$ 41
Finished goods	**2,232**	2,289	2,266
Inventories	**$ 2,266**	$ 2,331	$ 2,307

Cost of inventories sold includes $13 million (2008 – $13 million) of depreciation during the third quarter of 2009 and $34 million (2008 – $33 million) year-to-date.

For inventories recorded as at October 10, 2009, Loblaw recorded $15 million (October 4, 2008 – $10 million) as an expense for the write-down of inventories below cost to net realizable value.

12. Goodwill and Intangible Assets

($ millions)	Weston Foods	Loblaw	Oct. 10, 2009 Total	As at Oct. 4, 2008	Dec. 31, 2008
Goodwill, beginning of period	**$ 169**	**$ 947**	**$ 1,116**	$ 1,103	$ 1,103
Goodwill, acquired during the period		**193**	**193**	1	1
Business disposition					(11)
Goodwill impairment(1)	**(73)**		**(73)**		
Impact of foreign currency translation	**(5)**		**(5)**	10	23
Goodwill, end of period	**91**	**1,140**	**1,231**	1,114	1,116
Trademarks and brand names(2)	**14**		**14**	13	13
Other intangible assets	**5**		**5**	11	5
Goodwill and intangible assets	**$ 110**	**$ 1,140**	**$ 1,250**	$ 1,138	$ 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.
(2) The balance includes amortization of $1 million (2008 – $1 million).

In connection with Loblaw's acquisition of T&T, Loblaw acquired goodwill and other indefinite life intangible assets of $180 million. For purposes of this note disclosure, the entire $180 million has been presented as goodwill acquired. As discussed in note 3, management has yet to finalize the amount to be allocated to each of the identifiable net assets acquired and therefore, the actual amount allocated to goodwill and other indefinite life intangible assets may vary from the preliminary amount.

Due to the Company's participation in the Loblaw DRIP and the resulting step acquisition of Loblaw, goodwill of $6 million was recorded in the third quarter of 2009 (see note 3).

13. Employee Future Benefits

The Company's total net benefit plan cost recognized in operating income was $64 million and $160 million (2008 – $53 million and $135 million) for the third 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.

14. 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 October 4, 2008 and December 31, 2008, $292 million and nil, respectively, was drawn on the 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, committed credit facility expiring in March of 2013, 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 October 10, 2009, nil (October 4, 2008 – $273 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 $291 million (October 4, 2008 – $252 million; December 31, 2008 – $263 million) as at October 10, 2009. As at October 4, 2008, $9 million of commercial paper is also included in short term debt.

15. 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. During the third quarter of 2009, GWL repurchased these and all of the remaining notes, pursuant to the terms of the notes, for an aggregate purchase price of $73 million. As a result, GWL recorded a loss of $8 million in the third quarter of 2009 and $49 million, year-to-date 2009, in interest expense and other financing charges (see note 5).

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 other 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 October 10, 2009, USD $300 million (October 4, 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.

16. Capital Management

Capital Securities On April 1, 2009, the 10.6 million GWL 5.15% non-voting preferred shares, Series II, which were presented as capital securities and included in liabilities, were redeemed for cash of $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 third 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, in each case, at the end of the third 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 three quarters of 2009 or in 2008.

Dividends The declaration and payment of dividends and the amount thereof are at the discretion of the Board of Directors, which takes into account the Company's financial results, capital requirements, available cash flow and other factors the Board of Directors considers relevant from time to time. Over the long term, GWL's objective is for its common dividend payment ratio to be in the range of 20% to 25% of the prior year's basic net earnings per common share from continuing operations, adjusted as appropriate for items which are not regarded to be reflective of ongoing operations, giving consideration to the year end cash position, future cash flow requirements and investment opportunities. The Board of Directors has declared dividends as follows:

	16 Weeks Ended		40 Weeks Ended	
($)	**Oct. 10, 2009**	Oct. 4, 2008	**Oct. 10, 2009**	Oct. 4, 2008
Common shares	**$ 0.36**	$ 0.36	**$ 1.08**	$ 1.08
Preferred shares – Series I	**$ 0.36**	$ 0.36	**$ 1.09**	$ 1.09
– Series II		$ 0.33	**$ 0.32**	$ 0.97
– Series III	**$ 0.32**	$ 0.32	**$ 0.97**	$ 0.97
– Series IV	**$ 0.32**	$ 0.32	**$ 0.97**	$ 0.97
– Series V	**$ 0.30**	$ 0.30	**$ 0.89**	$ 0.89

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.

17. Accumulated Other Comprehensive Loss

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

				40 Weeks Ended Oct. 10, 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	**24**			**24**
Reclassification of cumulative foreign currency translation loss to net earnings	**144**			**144**
Net unrealized losses on available-for-sale financial assets(2)		**(14)**		**(14)**
Reclassification of gain on available-for-sale financial assets(3)		**(5)**		**(5)**
Net gain on derivatives designated as cash flow hedges(4)			**1**	**1**
Reclassification of loss on derivatives designated as cash flow hedges(5)			**16**	**16**
Balance, end of period	**$ (166)**	**$ (9)**	**$ 18**	**$ (157)**

(1) Net of income taxes recovered of $1 million and minority interest of $1 million.
(2) Net of income taxes recovered of $1 million and minority interest of $9 million.
(3) Net of income taxes recovered of $3 million and minority interest of $3 million.
(4) Net of income taxes of $7 million and minority interest of $2 million.
(5) Net of income taxes recovered of $10 million and minority interest of $5 million.

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

(1) Net of income taxes of $1 million and minority interest of $13 million.
(2) Net of income taxes of $5 million and minority interest of $3 million.
(3) Net of income taxes of $7 million and minority interest of $3 million.
(4) Net of income taxes of a nominal amount and minority interest of $8 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 $5 million (2008 – $4 million), net of income taxes and minority interest, on interest rate swaps is expected to be reclassified to net earnings during the next 12 months. Remaining amounts on the interest rate swaps will be reclassified to net earnings over periods of up to 2 years. A gain of $10 million (2008 – loss of $11 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 losses reclassified from accumulated other comprehensive loss to net earnings 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 – loss of $4 million) on commodity derivatives is expected to be reclassified to net earnings during the next 12 months.

During the first three quarters of 2009, the foreign currency translation adjustment included in accumulated other comprehensive loss decreased by $24 million (2008 – $303 million) from year end 2008.

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).

18. 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:

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 10, 2009**	Oct. 4, 2008	**Oct. 10, 2009**	Oct. 4, 2008
Stock option plans / share appreciation right plan (income) expense	**$ (5)**	$ (1)	**$ (2)**	$ 1
Equity derivatives loss (gain)	**13**	(6)	**16**	13
Restricted share unit plan expense	**3**	3	**9**	7
Net stock-based compensation expense (income)	**$ 11**	$ (4)	**$ 23**	$ 21

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 19,507 (2008 – nil) stock options and share appreciation rights. In addition, 69,460 (2008 – 123,820) stock options and share appreciation rights were forfeited or cancelled during the first three quarters of 2009.

During the third quarter of 2009, Loblaw granted 44,032 (2008 – 82,204) stock options with an exercise price of $34.31 (2008 – $29.30) per common share, 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. During the first three quarters of 2009, Loblaw paid the share appreciation value of $1 million (2008 – nil) on the exercise of 116,358 (2008 – nil) stock options. In addition, 1,224,404 (2008 – 1,914,555) stock options were forfeited or cancelled during the first three quarters of 2009.

At the end of the third quarter of 2009, a total of 1,757,807 (2008 – 1,633,677) GWL stock options and share appreciation rights were outstanding, 1,665,807 (2008 – 1,539,677) 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 – 5,932) 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 three quarters of 2009.

Under its existing RSU plan, Loblaw granted 13,373 (2008 – 13,526) RSUs in the third quarter of 2009, 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, 94,070 (2008 – 87,995) RSUs were cancelled and 199,920 (2008 – 246,785) RSUs were settled in cash for $7 million (2008 – $8 million) during the first three quarters of 2009.

At the end of the third quarter of 2009, a total of 151,526 (2008 – 159,543) GWL and 977,869 (2008 – 845,022) Loblaw RSUs were outstanding.

Equity Forwards During the second quarter of 2009, Loblaw and a counterparty agreed to terminate a portion of the equity forwards, representing 1.6 million Loblaw shares, for $38 million. As a result, at the end of the third 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 $53.76 (2008 – $54.22) including $9.14 (2008 – $9.35) per common share of interest expense, net of dividends.

19. 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 third quarter of 2009 was $377 million (2008 – $380 million) including $143 million (2008 – $151 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 third 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 was renewed. This facility has a further 12 month repayment term and is the source of funding to the independent trusts. 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.

20. 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 October 4, 2008 and December 31, 2008 of $164 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 third quarter and year-to-date 2008 of $13 million and $33 million, respectively, have been reclassified.

21. 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.

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 10, 2009**	Oct. 4, 2008	**Oct. 10, 2009**	Oct. 4, 2008
Sales				
Weston Foods	**$ 502**	$ 678	**$ 1,334**	$ 1,690
Loblaw	**9,473**	9,493	**23,424**	23,057
Intersegment	**(198)**	(292)	**(475)**	(709)
Consolidated	**$ 9,777**	$ 9,879	**$ 24,283**	$ 24,038
Operating Income				
Weston Foods	**$ 36**	$ 38	**$ 65**	$ 124
Loblaw(1)	**376**	310	**922**	726
Other(2)	**(79)**		**(265)**	
Consolidated	**$ 333**	$ 348	**$ 722**	$ 850
Total Assets				
Weston Foods	**$ 1,886**	$ 2,744	**$ 1,886**	$ 2,744
Loblaw	**14,818**	13,663	**14,818**	13,663
Other(3)	**3,065**		**3,065**	
Discontinued operations		2,346		2,346
Consolidated	**$ 19,769**	$ 18,753	**$ 19,769**	$ 18,753

(1) Operating income for the period ended October 4, 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 third quarter and year-to-date 2009 included $79 million (2008 – nil) and $231 million (2008 – nil), respectively, of foreign exchange losses associated with the effect of foreign exchange on a portion of 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.

22. Subsequent Event

Subsequent to the end of the third quarter of 2009, due to an internal reorganization, the Company reduced its net investment in self-sustaining foreign operations. As a result, a cumulative foreign currency translation loss of approximately $56 million, which was previously reflected in accumulated other comprehensive loss in shareholders' equity, will be reversed and included in operating income in the fourth quarter of 2009. This loss will have no impact on the Company's reported assets, liabilities or total shareholders' equity.

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 Control 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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This report was printed in Canada on recycled paper.

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