Q2 2010

Quarterly Report to Shareholders

George Weston Limited

24 Weeks Ended June 19, 2010

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", "foresee", "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, but not limited to:

- the possibility that the Company's plans and objectives will not be achieved;
- changes in economic conditions including the rate of inflation or deflation;
- changes in consumer spending and preferences;
- heightened competition, whether from new competitors or current competitors;
- the availability and increased costs relating to raw materials, ingredients and utilities, including electricity and fuel;
- changes in the Company's or its competitors' pricing strategies;
- failure of the Company's franchised stores to perform as expected;
- risks associated with the terms and conditions of financing programs offered to the Company's franchisees;
- failure to realize sales growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including investments in the Company's information technology systems, supply chain investments and other cost reduction initiatives, or unanticipated results from these initiatives;
- the inability of the Company to successfully implement its infrastructure and information technology components of its plan;
- 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 inventory and to control shrink;
- failure to execute successfully and in a timely manner the Company's major initiatives, including the implementation of strategies and introduction of innovative and reformulated products 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;
- 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;
- 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;
- risks associated with product defects, food safety and product handling;
- changes in interest and foreign 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 2009 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 Quarterly Report. The Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

CONSOLIDATED RESULTS OF OPERATIONS

George Weston Limited’s second quarter 2010 basic net earnings per common share from continuing operations were $0.89 compared to a basic net loss of $0.05 for the same period in 2009. The Company’s positive results in the second quarter of 2010 were due to improvements in operating performance in both operating segments, Loblaw Companies Limited and Weston Foods. In addition, the notable items specifically identified below and in the Management’s Discussion and Analysis (“MD&A”) had a favourable impact on the Company’s net earnings in the second quarter of 2010 when compared to the same period in 2009. Basic net earnings in the second quarter of 2010 were negatively impacted by $0.05 per common share compared to $0.61 per common share in the same period in 2009 due to unrealized foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments. In addition, basic net earnings in the second quarter of 2009 were negatively impacted by $0.28 per common share related to the extinguishment of a portion of the GWL 12.7% Promissory Notes.

Loblaw continues to make progress on its overall renewal plan; however it is now in the critical period of heightened risk for the infrastructure and information technology components of the plan. As previously stated, Loblaw expects investments associated with this to continue to negatively impact its operating income during this period. 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.

	12 Weeks Ended			24 Weeks Ended		
(unaudited) ($ millions except where otherwise indicated)	**Jun. 19, 2010**	Jun. 20, 2009	Change	**Jun. 19, 2010**	Jun. 20, 2009	Change
Sales	**$ 7,530**	$ 7,484	0.6%	**$ 14,707**	$ 14,506	1.4%
Operating income	**$ 389**	$ 288	35.1%	**$ 663**	$ 389	70.4%
Operating margin	**5.2%**	3.8%		**4.5%**	2.7%	
Interest expense and other financing charges	**$ 98**	$ 147	(33.3)%	**$ 221**	$ 184	20.1%
Net earnings (loss) from continuing operations	**$ 125**	$ 4	NM[3]	**$ 167**	$ (23)	NM[3]
Net earnings	**$ 125**	$ 4	NM[3]	**$ 167**	$ 867	NM[3]
Basic net earnings (loss) per common share from continuing operations ($)	**$ 0.89**	$ (0.05)	NM[3]	**$ 1.14**	$ (0.33)	NM[3]
Basic net earnings (loss) per common share ($)	**$ 0.89**	$ (0.05)	NM[3]	**$ 1.14**	$ 6.56	NM[3]
EBITDA[1]	**$ 550**	$ 437	25.9%	**$ 988**	$ 682	44.9%
EBITDA margin[1]	**7.3%**	5.8%		**6.7%**	4.7%	
Net debt[1]	**$ 362**	$ 369	(1.9)%	**$ 362**	$ 369	(1.9)%

Sales in the second quarter of 2010 were $7,530 million compared to $7,484 million for the same period in 2009, an increase of 0.6%.

(1) See Non-GAAP Financial Measures on page 21.
(2) To be read in conjunction with “Forward-Looking Statements”.
(3) NM – not meaningful.

Operating income for the second quarter of 2010 was $389 million compared to $288 million in the same period in 2009, an increase of 35.1%. Consolidated operating margin for the second quarter of 2010 was 5.2% compared to 3.8% for the same period in 2009. Year-over-year changes in the following items together with additional factors outlined in the MD&A influenced the Company's operating income in the second quarter of 2010 compared to the same period in 2009:

- a charge of $6 million (2009 – $90 million) related to unrealized foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin Holdings S.à r.l. ("Dunedin"), a subsidiary of GWL, and certain of its affiliates. The effect on basic net earnings per common share from continuing operations was a charge of $0.05 (2009 – $0.61);

- a charge of $23 million (2009 – nil) related to an asset impairment due to the closure of a Loblaw distribution centre in Quebec. The effect on basic net earnings per common share from continuing operations was a charge of $0.08 (2009 – nil);

- a charge of $6 million (2009 – income of $11 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 nominal (2009 – income of $0.05); and

- income of $10 million (2009 – $20 million) related to the commodity derivatives fair value adjustment at Weston Foods. The effect on basic net earnings per common share from continuing operations was income of $0.05 (2009 – $0.10).

Excluding the impact of the specific items noted above, operating income in the second quarter of 2010 was strong compared to the same period in 2009, with growth at both Loblaw and Weston Foods. The improvement in operating income at Loblaw was primarily attributable to continued buying synergies, disciplined vendor management, improved control label profitability and inventory management and a stronger Canadian dollar, partially offset by investments in pricing and incremental costs related to the investment in information technology and supply chain. Included in the incremental costs were costs related to changes in Loblaw's distribution network in Quebec. Weston Foods operating income was positively impacted in the second quarter of 2010 by the benefits realized from productivity improvements and other cost reduction initiatives, lower input costs and lower restructuring charges, which were partially offset by the impact of lower pricing including increased promotional spending.

Interest expense and other financing charges for the second quarter of 2010 decreased by $49 million to $98 million from $147 million in the second quarter of 2009 primarily due to:

- a loss of $41 million recorded in the second quarter of 2009 on the extinguishment of a portion of the GWL 12.7% Promissory Notes. The effect on second quarter 2009 basic net earnings per common share from continuing operations was a charge of $0.28; and

- a decrease in the non-cash charge related to the fair value adjustment of Weston Holdings Limited's, a subsidiary of GWL, forward sale agreement for 9.6 million Loblaw common shares of $13 million when compared to the same period in 2009. The effect of the fair value adjustment on basic net earnings per common share from continuing operations was a charge of $0.12 (2009 – $0.19).

Excluding the impact of the two specific items noted above, interest expense and other financing charges increased by $5 million.

The effective income tax rate decreased to 30.9% in the second quarter of 2010 compared to 43.3% in the second quarter of 2009. The decrease in the effective income tax rate compared to the same period in 2009 was primarily due to a decrease in non-deductible foreign exchange losses. This decrease was partially offset by a year-over-year increase in income tax expense relating to certain prior year income tax matters when compared to the same period in 2009.

Net Debt[1]

The Company's net debt[1] as at the end of the second quarter of 2010 was $362 million compared to $299 million as at year end 2009. The increase was primarily due to fixed asset purchases at Loblaw and dividend payments, partially offset by positive cash flows from operating activities.

OPERATING SEGMENTS

Weston Foods

Weston Foods sales for the second quarter of 2010 of $359 million decreased 9.1% compared to the same period in 2009. Foreign currency translation negatively impacted sales by approximately 4.9%. Of the remaining decline of 4.2%, approximately 3.0% was attributable to lower pricing across key product categories and approximately 1.2% was due to lower sales volumes.

Weston Foods operating income was $67 million in the second quarter of 2010 compared to $56 million in the second quarter of 2009. Operating margin was 18.7% for the second quarter of 2010 compared to 14.2% in the same period in 2009. Excluding the impact of the effect of stock-based compensation net of equity derivatives and the commodity derivatives fair value adjustment which are more fully described in the MD&A, Weston Foods operating income was strong when compared to the same period in 2009. Operating income was positively impacted by the benefits realized from productivity improvements and other cost reduction initiatives, lower input costs and lower restructuring charges, which were partially offset by the impact of lower pricing including increased promotional spending.

Loblaw

Loblaw sales for the second quarter of 2010 of $7,317 million increased 1.2% compared to the second quarter of 2009. T&T Supermarket Inc. ("T&T") sales positively impacted Loblaw's sales by 1.9%. Same-store sales in the quarter declined 0.3%. Sales growth in food was flat and in drugstore was modest, sales growth in apparel was strong while sales of other general merchandise declined significantly and gas bar sales increased significantly as a result of higher retail gas prices and strong volume growth. Loblaw experienced internal retail food price deflation compared to flat national food price inflation as measured by "The Consumer Price Index for Food Purchased from Stores". Loblaw's measure showed greater internal retail food price deflation in the second quarter of 2010 than in the first quarter of 2010 and compared to internal retail food price inflation in the second quarter of 2009.

Loblaw operating income for the second quarter of 2010 was $328 million compared to $322 million in the same period in 2009, an increase of 1.9%. Loblaw operating margin was 4.5% for the second quarter of 2010 and for the second quarter of 2009. Excluding the impact of the effect of stock-based compensation net of equity forwards and the asset impairment charge due to the closure of a distribution centre in Quebec, operating income improved as a result of continued buying synergies, disciplined vendor management, improved control label profitability and inventory management and a stronger Canadian dollar, partially offset by investments in pricing and incremental costs related to the investment in information technology and supply chain. Included in the incremental costs were costs related to changes in Loblaw's distribution network in Quebec.

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

OUTLOOK[1]

The consolidated results of George Weston Limited will continue to reflect the operating performance of both the Weston Foods and Loblaw operating businesses for the remainder of 2010. In addition, the Company's results will be subject to earnings volatility caused by the impact of changes in U.S. foreign currency exchange rates on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates. Earnings volatility may also result from other non-operating factors including commodity prices and their impact on the Company's commodity derivatives, the Loblaw common share price and its impact on the forward sale agreement for 9.6 million Loblaw common shares and short term interest rates.

Weston Foods expects satisfactory operating performance for the remainder of 2010. The Company is continuing its efforts to reduce costs through improved efficiencies and productivity and is focused on growing sales by optimizing product mix and product innovation to meet changing consumer buying preferences.

Loblaw continues to make progress on its overall renewal plan. As it has just entered the critical period of heightened risk for the infrastructure and information technology components of the plan, Loblaw continues to expect associated investments to negatively impact operating income during this period. For the remainder of 2010, Loblaw expects sales and margins will remain challenged by deflation and increased competitive intensity.

George Weston Limited is continuing to assess strategic options for the deployment of its significant holdings of cash and short term investments.

[signed]

W. Galen Weston
Chairman and President

Toronto, Canada
July 29, 2010

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

The following Management's Discussion and Analysis ("MD&A") for George Weston Limited ("GWL") and its subsidiaries (collectively, the "Company") should be read in conjunction with the Company's 2010 unaudited interim period consolidated financial statements and the accompanying notes on pages 24 to 40 of this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2009 and the related annual MD&A included in the Company's 2009 Annual Report. The Company's second quarter 2010 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 the Company and variable interest entities ("VIEs") that the Company is required to consolidate in accordance with Accounting Guideline 15, "Consolidation of Variable Interest Entities". A glossary of terms and ratios used throughout this Quarterly Report can be found beginning on page 114 of the Company's 2009 Annual Report. In addition, this Quarterly Report includes the following terms: "rolling year net debt(1) to EBITDA(1)", which is defined as net debt(1) divided by cumulative EBITDA(1) for the latest four quarters; "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); "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; and "operating working capital" which is defined as the sum of accounts receivable, inventories and prepaid expenses and other assets less accounts payable and accrued liabilities.

The information in this MD&A is current to July 29, 2010, unless otherwise noted.

CONSOLIDATED RESULTS OF OPERATIONS

As disclosed previously, the fresh bread and baked goods business in the United States ("U.S. fresh bakery business") was sold on January 21, 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 comparative results.

Sales Sales for the second quarter of 2010 increased 0.6%, or $46 million, to $7,530 million from $7,484 million in the second quarter of 2009. On a year-to-date basis, sales increased 1.4% to $14,707 million. The impact of foreign currency translation on the Weston Foods operating segment negatively impacted consolidated sales growth by approximately 0.3% for the second quarter of 2010 and on a year-to-date basis. When compared to the same period last year, the Company's consolidated sales for the second quarter of 2010 were impacted by each of its reportable operating segments as follows:

- Negatively by 0.5% as a result of a sales decrease of 9.1% at Weston Foods. Foreign currency translation negatively impacted Weston Foods' sales by approximately 4.9%. Of the remaining decline of 4.2%, approximately 3.0% was attributable to lower pricing across key product categories and approximately 1.2% was due to lower sales volumes.

- Positively by 1.1% due to sales growth of 1.2% at Loblaw. T&T Supermarket Inc. ("T&T") sales positively impacted Loblaw's sales by 1.9%. Same-store sales in the quarter declined 0.3%. Sales growth in food was flat and in drugstore was modest, sales growth in apparel was strong while sales of other general merchandise declined significantly and gas bar sales increased significantly as a result of higher retail gas prices and strong volume growth. Loblaw experienced internal retail food price deflation compared to flat national food price inflation as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI"). Loblaw's measure showed greater internal retail food price deflation in the second quarter of 2010 than in the first quarter of 2010 and compared to internal retail food price inflation in the second quarter of 2009.

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

Operating Income Operating income for the second quarter of 2010 was $389 million compared to $288 million in the second quarter of 2009. Consolidated operating margin of 5.2% for the second quarter of 2010 increased compared to 3.8% for the same period in 2009. When compared to the same period last year, the Company's change in operating income for the second quarter 2010 was impacted positively by 3.8% due to an increase in operating income at Weston Foods, and positively by 2.1% due to an increase in operating income at Loblaw. In addition, the reduction in foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin Holdings S.à r.l. ("Dunedin"), a subsidiary of GWL, positively impacted operating income growth by 29.2%.

The year-over-year change in the following items influenced operating income for the second quarter of 2010 compared to the second quarter of 2009:

- a charge of $6 million (2009 – $90 million) related to unrealized foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin, a subsidiary of GWL, and certain of its affiliates;
- a charge of $23 million (2009 – nil) related to an asset impairment due to the closure of a Loblaw distribution centre in Quebec;
- a charge of $6 million (2009 – income of $11 million) related to the effect of stock-based compensation net of equity derivatives of both GWL and Loblaw; and
- income of $10 million (2009 – $20 million) related to the commodity derivatives fair value adjustment at Weston Foods.

Year-to-date operating income for 2010 was $663 million compared to $389 million in 2009. Operating margin for the first half of 2010 was 4.5% compared to 2.7% in 2009.

The year-over-year change in the following items influenced operating income for the first half of 2010 compared to the first half of 2009:

- a charge of $35 million (2009 – $186 million), of which $35 million (2009 – $152 million) related to foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin, a subsidiary of GWL, and certain of its affiliates and nil (2009 – a charge of $34 million) related to the reversal of cumulative foreign currency translation losses;
- nil (2009 – a charge of $73 million) related to the non-cash goodwill impairment in Weston Foods' biscuits, cookies, cones and wafers business;
- a charge of $23 million (2009 – nil) related to an asset impairment due to the closure of a Loblaw distribution centre in Quebec;
- a charge of $10 million (2009 – $12 million) related to the effect of stock-based compensation net of equity derivatives of both GWL and Loblaw; and
- income of $10 million (2009 – $29 million) related to the commodity derivatives fair value adjustment at Weston Foods.

Included in the foreign exchange loss reported in the first half of 2009 was a $48 million charge related to the conversion of U.S. $2.4 billion of cash and short term investments to approximately $3.0 billion Canadian dollars following the sale of the U.S. fresh bakery business. This loss was a result of the appreciation 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 the specific items noted above, operating income for the second quarter and year-to-date 2010 was strong compared to the same periods in 2009.

EBITDA(1) increased by $113 million to $550 million in the second quarter of 2010 compared to $437 million in the second quarter of 2009. EBITDA margin(1) for the second quarter of 2010 increased to 7.3% from 5.8% in the same period in 2009. On a year-to-date basis, EBITDA(1) increased by $306 million to $988 million compared to $682 million in 2009. Year-to-date EBITDA margin(1) increased to 6.7% from 4.7% in 2009. EBITDA(1) and EBITDA margins(1) for the second quarter and year-to-date 2010 were positively impacted by the reduction in foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar

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

denominated cash and short term investments held by Dunedin and certain of its affiliates, and higher EBITDA margins[1] at both Weston Foods and Loblaw. The year-to-date 2009 EBITDA margin[1] at Weston Foods was negatively impacted by the non-cash goodwill impairment charge recorded in the first quarter of 2009.

Interest Expense and Other Financing Charges Interest expense and other financing charges for the second quarter of 2010 decreased by $49 million to $98 million from $147 million in the second quarter of 2009. The decrease was primarily the result of:

- a loss of $41 million recorded in the second quarter of 2009 on the extinguishment of a portion of the GWL 12.7% Promissory Notes; and

- a decrease in the non-cash charge related to the fair value adjustment of Weston Holdings Limited's ("WHL"), a subsidiary of GWL, forward sale agreement for 9.6 million Loblaw common shares of $13 million when compared to the same period in 2009. 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 WHL owns. WHL does not record any change in the market price associated with the Loblaw common shares it owns. Any cash paid under the forward contract could be offset by the sale of the Loblaw common shares.

Year-to-date interest expense and other financing charges increased by $37 million to $221 million from $184 million in 2009. This increase was primarily due to the year-over-year change in the fair value adjustment of WHL's forward sale agreement for 9.6 million Loblaw common shares of $68 million when compared to 2009, partially offset by the loss of $41 million recorded in the second quarter of 2009 on the extinguishment of a portion of the GWL 12.7% Promissory Notes.

Income Taxes The effective income tax rates for the second quarter and year-to-date 2010 were 30.9% and 34.4% (2009 – 43.3% and 56.1%), respectively. Both the second quarter and year-to-date 2010 decreases in the effective income tax rates compared to the same periods in 2009 were primarily due to decreases in non-deductible foreign exchange losses. These decreases were partially offset by year-over-year increases in income tax expenses relating to certain prior year income tax matters when compared to the same periods in 2009.

In March 2010, the federal budget proposed changes that impact the tax deductibility of cash-settled stock options. As at the end of the second quarter of 2010, the Company had $11 million in current and future tax assets relating to outstanding employee stock options that will be expensed when the proposed changes are substantively enacted.

Net Earnings (Loss) from Continuing Operations Net earnings from continuing operations for the second quarter of 2010 were $125 million compared to $4 million in the second quarter of 2009 and on a year-to-date basis, net earnings from continuing operations were $167 million compared to a net loss from continuing operations of $23 million in 2009. Basic net earnings per common share from continuing operations for the second quarter of 2010 were $0.89 compared to a basic net loss per common share from continuing operations of $0.05 in the same period in 2009 and year-to-date 2010 basic net earnings per common share from continuing operations were $1.14 compared to a basic net loss per common share from continuing operations of $0.33 in 2009.

Basic net earnings per common share from continuing operations in the second quarter of 2010 compared to the second quarter of 2009 were affected by the following factors:
- a $0.05 per common share charge (2009 – $0.61) related to unrealized foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates;
- nil per common share (2009 – $0.28 per common share charge) related to the extinguishment of a portion of the GWL 12.7% Promissory Notes;
- a $0.08 per common share charge (2009 – nil) related to an asset impairment due to the closure of a Loblaw distribution centre in Quebec;

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

- a $0.12 per common share non-cash charge (2009 – $0.19) related to the accounting for WHL's forward sale agreement for 9.6 million Loblaw common shares;
- a nominal per common share charge (2009 – income of $0.05) related to the effect of stock-based compensation net of equity derivatives of both GWL and Loblaw; and
- $0.05 per common share income (2009 – $0.10) related to the commodity derivatives fair value adjustment at Weston Foods.

The 2010 year-to-date basic net earnings per common share from continuing operations compared to the 2009 year-to-date basic net loss per common share from continuing operations were affected by the following factors:

- a $0.27 per common share charge (2009 – $1.28), of which $0.27 (2009 - $1.02) related to foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates and nil (2009 – charge of $0.26) related to the reversal of cumulative foreign currency translation losses;
- a $0.36 per common share non-cash charge (2009 – $0.04 per common share non-cash income) related to the accounting for WHL's forward sale agreement for 9.6 million Loblaw common shares;
- nil per common share (2009 – $0.38 per common share charge) related to the non-cash goodwill impairment in Weston Foods' biscuits, cookies, cones and wafers business;
- nil per common share (2009 – $0.28 per common share charge) related to the extinguishment of a portion of the GWL 12.7% Promissory Notes;
- a $0.08 per common share charge (2009 – nil) related to an asset impairment due to the closure of a Loblaw distribution centre in Quebec;
- $0.05 per common share income (2009 – $0.15) related to the commodity derivatives fair value adjustment at Weston Foods; and
- a nominal per common share charge (2009 – $0.07) related to the effect of stock-based compensation net of equity derivatives of both GWL and Loblaw.

Discontinued Operations Net earnings from discontinued operations were nil for the second quarter of 2010 and 2009. On a year-to-date basis, net earnings from discontinued operations were nil in 2010 compared to $890 million in 2009. Included in year-to-date 2009 net earnings from discontinued operations was a gain on disposal of the U.S. fresh bakery business of $921 million ($883 million, net of tax).

Net Earnings Net earnings for the second quarter of 2010 were $125 million compared to $4 million in the same period in 2009 and on a year-to-date basis, net earnings were $167 million compared to $867 million in 2009. Basic net earnings per common share for the second quarter of 2010 were $0.89 compared to a basic net loss per common share of $0.05 in the same period in 2009. Year-to-date 2010 basic net earnings per common share of $1.14 compared to $6.56 in 2009, including net earnings from discontinued operations per common share of nil compared to $6.89 in 2009.

GWL's ownership of Loblaw was 62.6% as at the end of the second quarter of 2010 and 62.5% as at year end 2009. GWL's ownership of Loblaw was 61.9% as at the end of the second quarter of 2009 and as at year end 2008. The increases in GWL's ownership have been due to the Company's participation in the Loblaw Dividend Reinvestment Plan and Loblaw's repurchase of 1.7 million of its common shares during the fourth quarter of 2009.

REPORTABLE OPERATING SEGMENTS

Weston Foods

The Weston Foods operating segment continued to achieve satisfactory financial results despite soft sales in the second quarter of 2010. Weston Foods sales were negatively impacted by foreign currency translation, lower pricing and lower sales volumes. Operating income increased in the second quarter of 2010 compared to the same period in 2009 and after excluding the impact of the commodity derivatives fair value adjustment, the impact of stock-based compensation net of equity derivatives and also foreign currency translation, operating income in the second quarter of 2010 was strong. Operating income was positively impacted by the benefits realized from productivity improvements and other cost reduction initiatives, lower input costs and lower restructuring charges, which were partially offset by the impact of lower pricing including increased promotional spending.

Sales Weston Foods sales for the second quarter of 2010 of $359 million decreased 9.1% compared to the same period in 2009. Foreign currency translation negatively impacted sales by approximately 4.9%. Of the remaining decline of 4.2%, approximately 3.0% was attributable to lower pricing across key product categories and approximately 1.2% was due to lower sales volumes.

On a year-to-date basis, sales of $744 million decreased 10.6% compared to the same period in 2009. Foreign currency translation negatively impacted sales by approximately 6.3%. Of the remaining decline of 4.3%, approximately 3.4% was attributable to lower pricing across key product categories and approximately 0.9% was due to lower sales volumes.

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

Fresh bakery sales decreased approximately 1.8% in the second quarter of 2010 compared to the same period in 2009. On a year-to-date basis, sales decreased 1.2% compared to the same period in 2009, driven by lower pricing primarily due to increased promotional spending. Volume increased in the second quarter of 2010 and year-to-date due to the growth in the *Gadoua*, *Wonder* and *D'Italiano* brands, partially offset by the continued softness in the food service market and lower sales of private label products. The introduction of new products, such as *Gadoua MultiGo*, *Wonder Invisibles, Wonder SimplyFree* and *D'Italiano Focaccia,* contributed positively to branded sales during the second quarter and year-to-date 2010.

Frozen bakery sales decreased approximately 2.5% in the second quarter of 2010 and 2.7% on a year-to-date basis compared to the same periods in 2009, due to lower sales volumes and lower pricing including increased promotional spending. Overall, volume in the second quarter and year-to-date decreased compared to the same periods in 2009 due to decreases in certain product categories including the continued softness in the food service market and the loss of certain distributed products. Sales and volumes in the second quarter of 2010 were negatively impacted by the timing of customer orders related to the Easter holiday when compared to the same period in 2009.

Biscuit sales, principally wafers, ice-cream cones, cookies and crackers, decreased approximately 11.5% in the second quarter of 2010 and 10.5% year-to-date compared to the same periods in 2009, due to lower sales volumes and lower pricing in certain product categories. The volume decline was driven by lower wafer, cup, cone and Girl Scout cookie sales in the second quarter and year-to-date compared to the same periods in 2009.

Operating Income Weston Foods operating income was $67 million in the second quarter of 2010 compared to $56 million in the same period in 2009. Operating margin was 18.7% for the second quarter of 2010 compared to 14.2% in the second quarter of 2009.

The year-over-year change in the following items influenced operating income for the second quarter of 2010 compared to the second quarter of 2009:

- income of $10 million (2009 – $20 million) related to the commodity derivatives fair value adjustment; and
- income of $5 million (2009 – $4 million) related to the effect of stock-based compensation net of equity derivatives.

On a year-to-date basis, Weston Foods operating income increased to $112 million from $29 million in 2009. Operating margin for 2010 was 15.1% compared to 3.5% in 2009.

The year-over-year change in the following items influenced operating income for the first half of 2010 compared to the first half of 2009:

- nil (2009 – a charge of $73 million) related to the non-cash goodwill impairment in Weston Foods' biscuits, cookies, cones and wafers business;
- income of $10 million (2009 – $29 million) related to the commodity derivatives fair value adjustment; and
- income of $10 million (2009 – a nominal charge) related to the effect of stock-based compensation net of equity derivatives.

In addition, operating income for the second quarter and year-to-date 2010 was negatively impacted by foreign currency translation due to a stronger Canadian dollar relative to the U.S. dollar.

Weston Foods is exposed to commodity price fluctuations primarily as a result of purchases of certain raw materials, fuels and utilities. In accordance with the Company's risk management strategy, Weston Foods enters into commodity derivatives to reduce the impact of price fluctuations in forecasted raw material purchases over a specified period of time. These commodity derivatives are not acquired for trading or speculative purposes. Certain of these derivatives are not designated for financial reporting purposes as cash flow hedges of anticipated future raw material purchases, and accordingly hedge accounting does not apply. As a result, changes in the fair value of these derivatives, which include realized and unrealized gains and losses related to future purchases of raw materials, are recorded in operating income. Weston Foods recorded income of $10 million (2009 – $20 million) during the second quarter of 2010, and on a year-to-date basis income of $10 million (2009 – $29 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 during the period that the commodity derivatives are held.

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. Restructuring activities related to these initiatives are ongoing. In the second quarter of 2010, a charge of nil (2009 – $5 million), and on a year-to-date basis a charge of $6 million (2009 – $7 million) were recorded in operating income related to restructuring activities. During the first quarter of 2010, Weston Foods approved a plan to close a fresh bakery manufacturing facility in Quebec as a result of the Company's inability to reach a satisfactory collective agreement with the union and recorded a charge of $6 million relating to employee termination benefits. The fixed assets relating to this facility, including land and building, are currently being evaluated and it is anticipated that accelerated depreciation charges up to $5 million will be recorded throughout the remainder of the year until the facility is closed, which is anticipated to be in the fourth quarter of 2010. A gain or loss on sale of the land and building will be recorded when the facility is sold. In addition, site closing and other exit costs of $3 million are anticipated and will be recorded as incurred.

Weston Foods operating income for the second quarter and year-to-date 2010 were impacted by changes in the following items when compared to the same periods in 2009: the commodity derivatives fair value adjustment, the effect of stock-based compensation net of equity derivatives, and also foreign currency translation. Operating income on a year-to-date basis was positively impacted by the non-cash goodwill impairment charge in Weston Foods' biscuits, cookies, cones and wafers business recorded in the first quarter of 2009. Excluding these specific items, operating income in the second quarter and year-to-date 2010 was strong compared to the same periods in 2009. Operating income was positively impacted by the benefits realized from productivity improvements and other cost reduction initiatives, lower input costs and lower restructuring charges, which were partially offset by the impact of lower pricing including increased promotional spending.

Gross margin, including the impact of the commodity derivatives fair value adjustment, decreased slightly in the second quarter of 2010 and was flat on a year-to-date basis compared to the same periods in 2009.

EBITDA(1) increased by $9 million to $79 million in the second quarter of 2010 compared to $70 million in the second quarter of 2009. On a year-to-date basis EBITDA(1) increased by $81 million, to $136 million compared to $55 million in 2009, mainly due to the non-cash goodwill impairment charge recorded in the first quarter of 2009. EBITDA margin(1) increased in the second quarter of 2010 to 22.0% from 17.7% in 2009 and on a year-to-date basis to 18.3% from 6.6% in 2009.

Loblaw

Sales Sales for the second quarter of 2010 increased by 1.2% to $7,317 million compared to $7,233 million in the second quarter of 2009. The following factors explain the major components of the increase:

- T&T sales positively impacted Loblaw's sales by 1.9%;
- same-store sales decline of 0.3%;
- sales growth in food was flat and in drugstore was modest;

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

- sales growth in apparel was strong while sales of other general merchandise declined significantly due to reductions in assortment and square footage;
- gas bar sales increased significantly as a result of higher retail gas prices and strong volume growth;
- Loblaw experienced internal retail food price deflation compared to flat national food price inflation of 0.3% as measured by CPI. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores. Loblaw's measure showed greater internal retail food price deflation in the second quarter of 2010 than in the first quarter of 2010 and compared to internal retail food price inflation in the second quarter of 2009; and
- during the second quarter of 2010, net retail square footage remained flat, as 3 stores opened and 6 stores closed. During the last four quarters, 39 stores were opened, including 17 acquired T&T stores, and 32 stores were closed, resulting in a net increase of 0.7 million square feet, or 1.4%.

On a year-to-date basis, sales increased by 2.1% to $14,243 million compared to 2009. The following factors, in addition to the quarterly factors mentioned above, further explain the increase:
- T&T sales positively impacted Loblaw's sales by 1.9%;
- same-store sales growth of 0.1%; and
- sales and same-store sales growth were positively impacted by approximately 0.3% as a result of a labour disruption during the first quarter of 2009 in certain *Maxi* stores in Quebec. These stores reopened in the first quarter of 2009, except for two stores that were permanently closed.

Operating Income Operating income was $328 million for the second quarter of 2010 compared to $322 million in the same period in 2009, an increase of 1.9%. Operating margin was 4.5% for the second quarter of 2010 and for the second quarter of 2009.

Gross profit increased by $104 million to $1,793 million in the second quarter of 2010 compared to $1,689 million in the second quarter of 2009. Gross profit as a percentage of sales was 24.5% in the second quarter of 2010 compared to 23.4% in the same period in 2009. In the second quarter of 2010, the increase in gross profit and gross profit as a percentage of sales was primarily attributable to continued buying synergies, disciplined vendor management, improved control label profitability and inventory management and a stronger Canadian dollar, partially offset by investments in pricing.

The increase in operating income was primarily due to the increase in gross profit, partially offset by an increase in depreciation and amortization of $14 million, a charge of $11 million (2009 – income of $7 million) related to stock-based compensation net of the equity forwards and incremental costs of $41 million related to Loblaw's investment in information technology and supply chain. Included in the incremental costs was $16 million of costs related to changes in Loblaw's distribution network in Quebec. In addition, in connection with the distribution network changes a $23 million asset impairment charge was recorded for the closure of a distribution centre. The second quarter of 2009 was positively impacted by a gain of $8 million from the sale of financial investments by President's Choice Bank ("PC Bank"), a wholly owned subsidiary of Loblaw.

EBITDA(1) increased by $20 million, or 4.4%, to $477 million in the second quarter of 2010 compared to $457 million in the second quarter of 2009. EBITDA margin(1) increased in the second quarter of 2010 to 6.5% from 6.3% in the same period in 2009. The increases in EBITDA(1) and EBITDA margin(1) were primarily due to the increases in gross profit and gross profit as a percentage of sales, partially offset by costs related to changes in Loblaw's distribution network including the $23 million asset impairment charge.

Year-to-date operating income for 2010 increased by $40 million, or 7.3%, to $586 million, and resulted in an operating margin of 4.1% compared to 3.9% in 2009.

Year-to-date gross profit increased by $210 million to $3,513 million compared to $3,303 million in 2009. Year-to-date gross profit as a percentage of sales was 24.7% compared to 23.7% in 2009. In the first half of 2010, the increase in gross profit and gross profit as a percentage of sales was primarily attributable to continued buying synergies, disciplined vendor management, improved control label profitability and inventory management and a stronger Canadian dollar, partially offset by investments in pricing in the second quarter of 2010.

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

The year-to-date increases in operating income and operating margin were primarily due to the increases in gross profit and gross profit as a percentage of sales, partially offset by an increase in depreciation and amortization of $34 million, a charge of $20 million (2009 – $12 million) related to stock-based compensation net of the equity forwards, incremental costs of $69 million related to Loblaw's investment in information technology and supply chain and the $23 million asset impairment charge recorded in the second quarter of 2010. Year-to-date operating income in 2009 included a gain of $8 million from the sale of financial investments by PC Bank.

Year-to-date EBITDA(1) increased by $74 million, or 9.1% to $887 million compared to $813 million in 2009. EBITDA margin(1) improved to 6.2% compared to 5.8% in 2009. The year-to-date increases in EBITDA(1) and EBITDA margin(1) were primarily due to the improvements in gross profit and gross profit as a percentage of sales, partially offset by costs related to changes in Loblaw's distribution network including the $23 million asset impairment charge recorded in the second quarter of 2010.

CONSOLIDATED FINANCIAL CONDITION

Financial Ratios The Company's net debt(1) to equity ratio at the end of the second quarter of 2010 was 0.05:1 compared to 0.04:1 at year end 2009. The slight increase in this ratio when compared to year end 2009 was due to the increase in net debt(1) as discussed in the net debt(1) section below.

The rolling year net debt(1) to EBITDA(1) ratio was 0.2 times at the end of each of the second quarter of 2010 and the second quarter of 2009 and at year end 2009.

The interest coverage ratio in the second quarter of 2010 increased to 3.8 times compared to 1.9 times in the second quarter of 2009. This increase was due to both the increase in operating income and the decrease in interest expense and other financing charges. On a year-to-date basis, the interest coverage ratio increased to 2.9 times in 2010 compared to 2.0 times in 2009. This increase was due primarily to the increase in operating income.

The Company's rolling year return on average net assets(1) at the end of the second quarter of 2010 was 11.9% compared to 10.1% at the end of the same period in 2009 and 9.3% at year end 2009. The Company's rolling year return on average common shareholders' equity was 4.5% at the end of the second quarter of 2010 compared to 8.1% at the end of the same period in 2009 and 1.5% at year end 2009.

Capital Securities Of the 12.0 million authorized non-voting Loblaw second preferred shares, Series A, 9.0 million were outstanding at the end of the second quarter of 2010.

Dividends on capital securities 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 is authorized and 129.1 million common shares were outstanding at the end of the second quarter of 2010. 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 second quarter of 2010.

During the second quarter of 2010, 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. GWL did not purchase any shares under its NCIB in the first half of 2010 or in 2009.

Dividends On July 1, 2010, common share dividends of $0.36 per share and preferred share dividends of $0.32 per share for the Series III and Series IV preferred shares and dividends of $0.30 per share for the Series V preferred shares were paid as declared by GWL's Board of Directors. On June 15, 2010, preferred share dividends of $0.36 per share for the Series I preferred shares were paid as declared by the Board.

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

Subsequent to the end of the second quarter of 2010, common share dividends of $0.36 per share and preferred share dividends of $0.32 per share for the Series III and Series IV preferred shares and dividends of $0.30 per share for the Series V preferred shares, payable on October 1, 2010, were declared by GWL's Board of Directors. In addition, dividends of $0.36 per share for Series I preferred shares, payable on September 15, 2010, were also declared.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows from Operating Activities of Continuing Operations Second quarter 2010 cash flows from operating activities of continuing operations were $660 million compared to $846 million in the same period in 2009. On a year-to-date basis, cash flows from operating activities of continuing operations were $419 million compared to $470 million in 2009. The decreases in cash flows from operating activities were primarily due to the change in non-cash working capital. Also impacting second quarter and year-to-date 2009 cash flows from operating activities was a $38 million payment to a counterparty to extinguish a portion of the liability associated with equity forwards by Glenhuron Bank Limited ("Glenhuron"), a wholly owned subsidiary of Loblaw.

Cash Flows used in Investing Activities of Continuing Operations Second quarter 2010 cash flows used in investing activities of continuing operations were $269 million compared to $341 million in the same period in 2009. On a year-to-date basis, cash flows used in investing activities of continuing operations were $107 million compared to $1,147 million in 2009. The decreases in cash flows used in investing activities of continuing operations were primarily due to the changes in short term investments, partially offset by the changes in security deposits. The year-to-date 2010 decrease in cash flows used in investing activities of continuing operations was also partially offset by PC Bank's repurchase of $90 million of co-ownership interest in securities receivables from an independent trust in the first quarter of 2010. Capital investment for the second quarter of 2010 amounted to $241 million (2009 – $210 million) and $392 million (2009 – $347 million) year-to-date, including $19 million, which was financed by Loblaw through a capital lease in the second quarter of 2010. The Company expects to invest approximately $1.0 billion in capital expenditures in 2010.

Cash Flows used in Financing Activities of Continuing Operations Second quarter 2010 cash flows used in financing activities of continuing operations were $14 million compared to $639 million in the same period in 2009. On a year-to-date basis, cash flows used in financing activities of continuing operations were $48 million compared to $640 million in 2009. The decreases in cash flows used in financing activities of continuing operations were primarily due to the repayment of short term and bank indebtedness and the redemption of GWL's 10.6 million preferred shares, Series II, for $265 million in the second quarter of 2009. The second quarter 2010 decrease in cash flows used in financing activities of continuing operations was partially offset by Loblaw's repayment of the $300 million 7.10% Medium Term Notes ("MTN").

During the second quarter of 2010, Loblaw issued $350 million principal amount of 10 year unsecured MTN, Series 2-B pursuant to its MTN, Series 2 program. Interest on the notes is payable semi-annually at a fixed rate of 5.22%. The notes are unsecured obligations and are redeemable at the option of Loblaw. In the second quarter of 2009, Loblaw issued $350 million principal amount of 5 year unsecured MTN, Series 2-A which pay a fixed rate of interest of 4.85% payable semi-annually.

During the second quarter of 2010 Loblaw's $300 million, 7.10% MTN due May 11, 2010 matured and was repaid. During the first quarter of 2009, Loblaw repaid its $125 million 5.75% MTN and GWL repaid its $250 million 5.90% MTN, both of which matured.

Net Debt(1) The Company's net debt(1) as at the end of the second quarter of 2010 was $362 million compared to $299 million as at year end 2009. The increase was primarily due to fixed asset purchases at Loblaw and dividend payments, partially offset by positive cash flows from operating activities.

Sources of Liquidity The Company holds significant cash and short term investments denominated in Canadian and United States dollars. These funds are invested in highly liquid marketable short term investments consisting primarily of Canadian and United States government treasury bills and treasury notes, United States government sponsored debt securities, Canadian bank term deposits and corporate commercial paper.

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

Loblaw expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against its credit facility will enable it to finance its capital investment program and fund its ongoing business requirements, including working capital, pension plan funding and financial obligations over the next twelve months. In addition, given reasonable access to capital markets, Loblaw does not foresee any impediments in securing financing to satisfy its long term obligations.

PC Bank participates in bank supported and term securitization programs which provide the primary source of funds for the operation of its business. Under these securitization programs, a portion of the total interest in the credit card receivables is sold to independent trusts. During the first quarter of 2010, PC Bank repurchased $90 million (2009 – nil) of co-ownership interest in securitized receivables from an independent trust. The independent trusts' recourse to PC Bank's assets is limited to PC Bank's excess collateral (June 19, 2010 – $114 million; June 20, 2009 – $124 million; December 31, 2009 – $121 million) as well as standby letters of credit issued (June 19, 2010 – $103 million; June 20, 2009 – $116 million; December 31, 2009 – $116 million) on a portion of the securitized amount. A portion of the securitized receivables that is held by an independent trust facility with a term of 364 days is subject to renewal during the third quarter of 2010. If the facility is not renewed, collections must be accumulated on behalf of the trust prior to the expiry. In the absence of renewal or other securitization, Loblaw would be required to use its cash and short term investments or raise alternative financing by issuing additional debt or equity instruments.

Loblaw has traditionally obtained its long term financing primarily through a MTN program. Loblaw may refinance maturing long term debt with MTN if market conditions are appropriate or it may consider other alternatives.

The following table sets out the current credit ratings of Loblaw:

	Dominion Bond Rating Service		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Commercial paper	R-2 (middle)	Stable	A-2	Stable
Medium term notes	BBB	Stable	BBB	Stable
Preferred shares	Pfd-3	Stable	P-3 (high)	Stable
Other notes and debentures	BBB	Stable	BBB	Stable

The rating organizations listed above base their credit ratings on quantitative and qualitative considerations. These credit ratings are forward-looking and are intended to give an indication of the risk that Loblaw will not fulfill its obligations in a timely manner.

Loblaw's and PC Bank's ability to obtain funding from external sources may be restricted by downgrades in Loblaw's current credit ratings should Loblaw's 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 financial and other liabilities. Loblaw mitigates these risks by maintaining appropriate levels of cash and short term investments, committed lines of credit and by diversifying its sources of funding and the maturity profile of its debt and capital obligations.

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 its ongoing business requirements, 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.

The following table sets out the current credit ratings of GWL:

	Dominion Bond Rating Service		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Commercial paper	R-2 (high)	Stable	A-2	Stable
Medium term notes	BBB	Stable	BBB	Stable
Preferred shares	Pfd-3	Stable	P-3 (high)	Stable
Other notes and debentures	BBB	Stable	BBB	Stable

The rating organizations listed above base their credit ratings on quantitative and qualitative considerations. These credit ratings are forward-looking and are intended to give an indication of the risk that GWL will not fulfill its obligations in a timely manner.

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 financial and other liabilities. The Company (excluding Loblaw) mitigates these risks by maintaining appropriate levels of cash and short term investments, committed lines of credit when required and by diversifying its sources of funding and the maturity profile of its debt and capital obligations.

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 as at June 19, 2010 was $390 million (June 20, 2009 – $387 million; December 31, 2009 – $390 million), including $178 million (June 20, 2009 – $149 million; December 31, 2009 – $163 million) of loans payable by VIEs consolidated by the Company. Loblaw has agreed to provide credit enhancement of $66 million (June 20, 2009 – $66 million; December 31, 2009 – $66 million) in the form of a standby letter of credit for the benefit of the independent funding trust representing not less than 15% of the principal amount of the loans outstanding. This standby letter of credit has never been drawn upon. This credit enhancement allows the independent funding trust to provide financing to Loblaw's independent franchisees. As well, each independent franchisee provides security to the independent funding trust for its obligations by way of a general security agreement. In the event that an independent franchisee defaults on its loan and Loblaw has not, within a specified time period, assumed the loan, or the default is not otherwise remedied, the independent funding trust would assign the loan to Loblaw and draw upon this standby letter of credit.

During the second quarter of 2010, the $475 million, 364-day revolving committed credit facility that is the source of funding to the independent trusts was renewed. The financing structure has been reviewed and Loblaw determined there were no additional VIEs to consolidate as a result of this financing.

Equity Derivative Contracts As at June 19, 2010, Glenhuron had equity forward contracts to buy 1.5 million (June 20, 2009 – 3.2 million; December 31, 2009 – 1.5 million) Loblaw common shares at an average forward price of $66.73 (June 20, 2009 – $53.82; December 31, 2009 – $66.25) including $10.51 (June 20, 2009 – $9.20; December 31, 2009 – $10.03) per common share of interest expense. As at June 19, 2010, the interest and unrealized market loss of $40 million (June 20, 2009 – $62 million; December 31, 2009 – $48 million) was included in accounts payable and accrued liabilities. In the second quarter of 2009, Glenhuron paid $38 million to a counterparty to terminate a portion of the equity forwards representing 1.6 million shares, which led to the extinguishment of a corresponding portion of the associated liability.

Also as at June 19, 2010, GWL had equity swaps to buy 1.7 million (June 20, 2009 – 1.7 million; December 31, 2009 – 1.7 million) GWL common shares at an average forward price of $103.17 (June 20, 2009 – $103.17; December 31, 2009 – $103.17). As at June 19, 2010, the unrealized market loss of $49 million (June 20, 2009 – $72 million; December 31, 2009 – $61 million) was included in accounts payable and accrued liabilities.

Employee Future Benefit Contributions During the second quarter of 2010, the Company contributed $23 million (2009 – $24 million) and on a year-to-date basis, contributed $54 million (2009 – $49 million) to its funded defined benefit pension plans. The Company expects to contribute $122 million to these plans during 2010. 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

Under an accounting convention common to the food distribution industry, the Company follows a 52-week reporting cycle which periodically necessitates a fiscal year of 53 weeks. 2008 was a 53-week year. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration. 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.

Quarterly Financial Information (unaudited)

	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
($ millions except where otherwise indicated)	**2010**	2009	2010	2009	2009	2008	2009	2008
Sales	**$ 7,530**	$ 7,484	$ 7,177	$ 7,022	$ 7,537	$ 8,050	$ 9,777	$ 9,879
Net earnings (loss) from continuing operations	**$ 125**	$ 4	$ 42	$ (27)	$ 79	$ 357	$ 71	$ 119
Net earnings	**$ 125**	$ 4	$ 42	$ 863	$ 82	$ 405	$ 86	$ 180
Net earnings (loss) per common share from continuing operations ($)								
Basic	**$ 0.89**	$ (0.05)	$ 0.25	$ (0.28)	$ 0.53	$ 2.69	$ 0.44	$ 0.81
Diluted	**$ 0.89**	$ (0.05)	$ 0.25	$ (0.28)	$ 0.52	$ 2.69	$ 0.44	$ 0.81
Net earnings (loss) per common share ($)								
Basic	**$ 0.89**	$ (0.05)	$ 0.25	$ 6.61	$ 0.56	$ 3.06	$ 0.56	$ 1.29
Diluted	**$ 0.89**	$ (0.05)	$ 0.25	$ 6.61	$ 0.55	$ 3.06	$ 0.56	$ 1.29

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

- the acquisition of T&T by Loblaw in the third quarter of 2009;
- foreign currency exchange rates;
- seasonality and the timing of holidays;
- the additional week of operating results in the fourth quarter of 2008; and
- the sales of Weston Foods' dairy and bottling operations which was sold in the fourth quarter of 2008.

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

- the asset impairment charge due to the closure of a Loblaw distribution centre in Quebec in the second quarter of 2010;
- the loss on the extinguishment of a portion of the GWL 12.7% Promissory Notes in the second quarter of 2009;
- accounting for WHL's forward sale agreement of 9.6 million Loblaw common shares;
- foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates, beginning in the first quarter of 2009;
- the non-cash goodwill impairment charge in Weston Foods' biscuits, cookies, cones and wafers 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;
- the reversal of the cumulative foreign currency translation loss associated with the reduction in the Company's U.S. net investment in self-sustaining foreign operations in the fourth quarter of 2009;
- fluctuations in stock-based compensation net of equity derivatives of both GWL and Loblaw;
- the commodity derivatives fair value adjustment at Weston Foods;
- the incremental costs related to Loblaw's investment in information technology and supply chain;
- restructuring and other charges incurred by Weston Foods and Loblaw;
- the gain on sale of Weston Foods' U.S. fresh bakery business in the first quarter of 2009;
- the income of Weston Foods' dairy and bottling operations which was sold in the fourth quarter of 2008; and
- the gain on disposal of Weston Foods' dairy and bottling operations and the gain on sale of Loblaw's food service business in the fourth quarter of 2008.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

Management has evaluated whether there were changes in the Company's internal controls over financial reporting that occurred during the twelve weeks ended June 19, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Management has determined that no material changes occurred during this period.

ENTERPRISE RISKS AND RISK MANAGEMENT

Detailed descriptions of the operating and financial risks and risk management strategies are included in the Enterprise Risks and Risk Management Section on page 35 of the 2009 annual MD&A as well as note 28 to the audited annual consolidated financial statements, included in the Company's 2009 Annual Report. The following is an update to those enterprise risks and risk management strategies:

Labour Relations A majority of Loblaw's store level and distribution centre workforce is unionized. Renegotiating collective agreements may result in work stoppages or slowdowns, which could negatively affect the Company's financial performance, depending on their nature and duration. In 2010, 73 collective agreements affecting approximately 35,000 Loblaw colleagues will expire including Loblaw's single largest agreement covering approximately 13,700 colleagues in Ontario which expired in July, 2010. Loblaw has commenced negotiations for the renewal of the Ontario agreements. During the second quarter a provincial conciliator was appointed to assist Loblaw and its unions to reach an agreement in Ontario. No agreement was reached and subsequent to the end of the quarter the unions received strike mandates from their members. Loblaw and the union continue to negotiate with the assistance of a provincial mediator. No strike deadlines have been communicated. The negotiations are expected to continue through the third quarter of 2010. There can be no assurance as to the outcome of these negotiations or the timing of their completion. Loblaw will also continue to negotiate the 66 collective agreements carried over from prior years. Although Loblaw attempts to mitigate work stoppages and disputes through early negotiations, work stoppages or slowdowns remain possible.

Regulatory Recently, the provincial governments of Ontario, Alberta, Nova Scotia and British Columbia introduced amendments to the regulation of generic prescription drug prices paid by provincial governments pursuant to their public drug benefit plans. Under these amendments, manufacturer costs of generic drugs paid by the provincial drug plans will be reduced and in Ontario the current system of drug manufacturers paying professional allowances to pharmacies will be eliminated. The amendments also reduce the manufacturer costs of generic drugs purchased out-of-pocket or through private employer drug plans. Loblaw is assessing the potential impact of these amendments and is exploring opportunities throughout the business to mitigate their impact. These charges could have a material impact on the financial results of the Company if Loblaw is not able to effectively mitigate the negative impact of the current amendments.

FUTURE ACCOUNTING STANDARDS

Business Combinations In January 2009, the Canadian Institute of Chartered Accountants ("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. The impact of implementing these amendments is currently being assessed.

International Financial Reporting Standards The Canadian Accounting Standards Board will require all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

Project Status

A detailed description of the Company's IFRS project structure and status is included in section 16 "Future Accounting Standards" on page 47 of the 2009 annual MD&A included in the Company's 2009 Annual Report.

The IFRS conversion project continues to progress. Targeted training regarding anticipated changes resulting from IFRS implementation continues to be provided to appropriate business units and finance colleagues. In addition, the Company will continue its quarterly and additional IFRS information sessions for the Board of Directors which provide updates on the changes to IFRS standards in 2010, transitional adjustments including policy choices, implications of IFRS standards to the business, and their impact on the financial statements. The Company also intends to provide an information session to key external stakeholders regarding the impacts of IFRS.

The IFRS conversion project is integrated with Loblaw's enterprise resource planning system ("ERP") implementation. As ERP phases are deployed, Loblaw is ensuring that the requirements of IFRS adoption are incorporated.

The Company has commenced integration of IFRS into certain business processes to ensure that it will be ready to address the broader impact of IFRS on its business. For instance, the implementation of IFRS is expected to have an impact on financial metrics that are used in calculating Loblaw's financial covenants under certain of its debt agreements. These debt agreements provide for adjustments to the covenants to neutralize the impact of the transition to IFRS. Loblaw will be working with the lenders under these debt agreements to formalize the required adjustments in conjunction with the implementation of IFRS. To the extent that Loblaw and its lenders under these agreements are unable to agree upon the covenant adjustments, the existing covenants will continue to apply and will be calculated on the basis of Canadian GAAP as it exists immediately prior to the conversion to IFRS. The Company has also commenced the education process to enable the integration of IFRS adjustments into its budgeting and internal reporting processes.

Key milestones for the remainder of the year which are in line with the Company's original plan include: completion of the opening transitional balance sheet, compilation of the quarterly financial statements and changes to the Company's internal controls over financial reporting, which may include enhancement of existing controls or the design and implementation of new controls. The Company continues to progress on its IFRS transition plan as expected except for the finalization of the documentation of internal controls related to accounting policy changes which is now expected to be completed in the fourth quarter of 2010.

The information below is provided as an update to allow investors and others to obtain a better understanding of the possible effects on the Company's consolidated financial statements and operating performance measures. Readers are cautioned, however, that it may not be appropriate to use such information for any other purpose and the information is subject to change.

Changes in Accounting Policies and First-Time Adoption of IFRS
The Company continues to assess the aggregate effect of adopting IFRS, and the relevant changes in accounting policies. The changes identified below should not be regarded as a complete list of changes that will result from the transition to IFRS as it is intended to highlight those areas where significant progress has been made and that are believed to be most significant at this point in the project. The International Accounting Standards Board has significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's consolidated financial statements. Therefore, the Company's analysis of changes and accounting policy decisions have been made based on the accounting standards that are currently effective.

The adoption of IFRS will require the application of IFRS 1, "First Time Adoption of IFRS" ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of all IFRS effective at the reporting date, with the exception of certain mandatory exceptions and limited optional exemptions provided in the standard.

The Company is currently assessing the quantitative impact of the transitional adjustments on the consolidated financial statements as a result of changes in accounting policies as well as the certain IFRS 1 elections and exemptions, and provided preliminary indication as to the impact of certain standards, elections and exemptions in the 2009 annual MD&A. The impacts provided below represent updates to those provided in the 2009 annual MD&A. As further impacts are determined throughout 2010, additional updates will be provided.

Securitization of Receivables International Accounting Standard ("IAS") 39, "Financial Instruments: Recognition and Measurement", ("IAS 39") contains criteria that are different from Canadian GAAP for the derecognition of financial assets and requires an evaluation of the extent to which an entity retains the risks and rewards of ownership. Under Canadian GAAP these financial assets qualify for sale treatment. The Company has determined that under IFRS certain securitized credit card receivables will not qualify for derecognition. The Company expects to record, upon implementation of IFRS, an increase in credit card receivables of approximately $1.2 billion before the provision for loan losses. The quantification of the loan provision for the loan loss commenced during the second quarter of 2010.

Under IAS 27, "Consolidated and Separate Financial Statements" and Standing Interpretations Committee 12, "Consolidation – Special Purpose Entities", consolidation is assessed using a control model. Under IFRS, Eagle Credit Card Trust, the independent trust that funds the purchase of asset interests from PC Bank through the issuance of notes, will be consolidated resulting in an increase of approximately $500 million of credit card receivables before the provision for loan losses. The quantification of the loan provision for the loan loss commenced during the second quarter of 2010.

Employee Benefits IAS 19, "Employee Benefits", provides a policy choice regarding recognition of actuarial gains and losses for defined benefit pension plans and post retirement benefit plans, permitting deferred recognition using the corridor method or immediate recognition in either other comprehensive income within equity or through earnings. Under Canadian GAAP the Company applies the corridor method. Upon adoption of IFRS the Company currently intends to recognize actuarial gains and losses immediately through other comprehensive income within equity for defined benefit pension plans and post retirement benefit plans and through earnings for post employment and long term disability benefit plans.

In addition, IFRS 1 provides an optional election, which the Company expects to apply, that will result in the recognition of all cumulative actuarial gains and losses through retained earnings on transition to IFRS. The Company's choice must be applied to all defined benefit pension plans and other benefit plans consistently. As a result of this election the Company has engaged its external actuaries to quantify this amount and will reclassify the unamortized net actuarial loss to retained earnings on transition to IFRS.

Foreign Currency IFRS 1 provides an optional election whereby cumulative translation gains or losses in accumulated other comprehensive loss can be reclassified to retained earnings on transition to IFRS. The Company currently expects to utilize this election by reclassifying the cumulative translation loss of $103 million recorded in accumulated other comprehensive loss at December 31, 2009 to retained earnings. Cumulative translation gains and losses will be recognized prospectively from the date of transition.

Hedging Relationships IAS 39 requires the incorporation of credit value adjustments in the measurement of effectiveness and ineffectiveness of a hedging relationship. Glenhuron has entered into cross-currency and interest rate swaps which were designated as effective cash flow hedging relationships under Canadian GAAP. Certain tranches of the swaps that were part of the hedging relationship have expired in 2010 and will continue to expire up to mid-2011. For this hedging relationship, Loblaw has concluded to not assess hedge effectiveness under IFRS which will result in derecognition at the date of transition to IFRS. A transitional adjustment of approximately $10 million, net of minority interest, from accumulated other comprehensive loss to retained earnings will be recorded.

Impairment of Assets IAS 36 requires that assets be tested for impairment at the level of cash generating units ("CGU"), which are defined as the lowest level of assets that generate largely independent cash inflows. The Company has completed its analysis and concluded that the cash generating unit for Weston Foods will be at a lower level than under Canadian GAAP but will continue to be the major production categories and geographic regions where cash inflows are largely dependent on each other. For Loblaw, the cash generating unit will predominantly be an individual store compared to Canadian GAAP where store net cash flows are grouped together by primary market areas, where they are largely dependent on each other. The Company has also completed the assessment of the events triggering potential impairments, including potential reversals of impairments, and is in the process of determining the fair value and value in use of these CGUs, where necessary.

ENTERPRISE RESOURCE PLANNING SYSTEM IMPLEMENTATION

On July 18, 2010, Loblaw implemented the second phase of its ERP system which involved integrating its general ledger and related reporting for finance across the business and launching additional functionality including its Corporate Administrative function's accounts payable and marketing procurement processes.

OUTLOOK(1)

The consolidated results of George Weston Limited will continue to reflect the operating performance of both the Weston Foods and Loblaw operating businesses for the remainder of 2010. In addition, the Company's results will be subject to earnings volatility caused by the impact of changes in U.S. foreign currency exchange rates on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates. Earnings volatility may also result from other non-operating factors including commodity prices and their impact on the Company's commodity derivatives, the Loblaw common share price and its impact on the forward sale agreement for 9.6 million Loblaw common shares and short term interest rates.

Weston Foods expects satisfactory operating performance for the remainder of 2010. The Company is continuing its efforts to reduce costs through improved efficiencies and productivity and is focused on growing sales by optimizing product mix and product innovation to meet changing consumer buying preferences.

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

Loblaw continues to make progress on its overall renewal plan. As it has just entered the critical period of heightened risk for the infrastructure and information technology components of the plan, Loblaw continues to expect associated investments to negatively impact operating income during this period. For the remainder of 2010, Loblaw expects sales and margins will remain challenged by deflation and increased competitive intensity.

George Weston Limited is continuing to assess strategic options for the deployment of its significant holdings of cash and short term investments.

ADDITIONAL INFORMATION

Additional information about the Company has been filed electronically with the Canadian securities regulatory authorities 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 62.6%-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, rolling year net debt to EBITDA, net debt to equity and rolling year return on average net 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 and should not be construed as an alternative to other financial measures determined in accordance with Canadian GAAP.

EBITDA and EBITDA Margin The following tables reconcile earnings from continuing operations before minority interest, income taxes, interest and depreciation and amortization ("EBITDA") to Canadian GAAP net earnings reported in the unaudited interim period consolidated statements of earnings for the twelve and twenty-four week periods ended as indicated. For each of its reportable operating segments, segment EBITDA is reconciled to segment operating income. EBITDA is useful to management in assessing the performance of the Company's ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

EBITDA margin is calculated as EBITDA divided by sales.

				12 Weeks Ended Jun. 19, 2010				12 Weeks Ended Jun. 20, 2009
($ millions)	**Weston Foods**	**Loblaw**	**Other(2)**	**Consolidated**	Weston Foods	Loblaw	Other(2)	Consolidated
Net earnings from continuing operations				**$ 125**				$ 4
Add impact of the following:								
Minority interest				**76**				76
Income taxes				**90**				61
Interest expense and other financing charges				**98**				147
Operating income (loss)	**$ 67**	**$ 328**	**$ (6)**	**$ 389**	$ 56	$ 322	$ (90)	$ 288
Depreciation and amortization(1)	**12**	**149**		**161**	14	135		149
EBITDA	**$ 79**	**$ 477**	**$ (6)**	**$ 550**	$ 70	$ 457	$ (90)	$ 437

				24 Weeks Ended Jun. 19, 2010				24 Weeks Ended Jun. 20, 2009
($ millions)	**Weston Foods**	**Loblaw**	**Other(2)**	**Consolidated**	Weston Foods	Loblaw	Other(2)	Consolidated
Net earnings (loss) from continuing operations				**$ 167**				$ (23)
Add impact of the following:								
Minority interest				**123**				113
Income taxes				**152**				115
Interest expense and other financing charges				**221**				184
Operating income (loss)	**$ 112**	**$ 586**	**$ (35)**	**$ 663**	$ 29	$ 546	$ (186)	$ 389
Depreciation and amortization(1)	**24**	**301**		**325**	26	267		293
EBITDA	**$ 136**	**$ 887**	**$ (35)**	**$ 988**	$ 55	$ 813	$ (186)	$ 682

(1) Includes depreciation of $9 million (2009 – $10 million) and year-to-date of $19 million (2009 – $21 million) included in cost of inventories sold.

(2) Operating income for the second quarter and year-to-date 2010 includes a loss of $6 million and $35 million (2009 – $90 million and $152 million), respectively, related to foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates, which are integrated foreign subsidiaries for accounting purposes. Year-to-date 2009 operating income also includes the cumulative foreign currency translation loss of $34 million associated with Dunedin and certain of its affiliates, which was reversed from accumulated other comprehensive loss on the date of the sale of the U.S. fresh bakery business.

Net Debt The following table reconciles net debt used in the net debt to equity and rolling year net debt to EBITDA ratios to Canadian GAAP measures reported as at the periods ended as indicated.

The Company calculates net debt as the sum of bank indebtedness, short term debt, long term debt, certain other liabilities and the fair value of the related financial derivatives less cash and cash equivalents, short term investments, security deposits and the fair value of the related financial derivatives. The Company believes this measure is useful in assessing the amount of financial leverage employed.

	As at		
($ millions)	**Jun. 19, 2010**	Jun. 20, 2009	Dec. 31, 2009
Bank indebtedness	**$ 14**	$ 4	$ 2
Short term debt	**317**	282	300
Long term debt due within one year	**403**	396	343
Long term debt	**5,384**	5,315	5,377
Other liabilities	**37**		36
Fair value of financial derivatives related to the above	**(303)**	(293)	(327)
	5,852	5,704	5,731
Less:			
Cash and cash equivalents	**3,599**	3,059	3,368
Short term investments	**1,429**	1,741	1,538
Security deposits	**280**	423	348
Fair value of financial derivatives related to the above	**182**	112	178
	$ 5,490	$ 5,335	$ 5,432
Net debt	**$ 362**	$ 369	$ 299

Capital securities are excluded from the calculation of net debt. For the purpose of calculating net debt, the fair values of financial derivatives are not credit value adjusted in accordance with Emerging Issues Committee Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". As at June 19, 2010, the credit value adjustment was a loss of $5 million (June 20, 2009 – $7 million; December 31, 2009 – $4 million).

Net Assets The following table reconciles net assets used in the rolling year return on average net assets ratio to Canadian GAAP measures reported on the consolidated balance sheets as at the periods ended as indicated. The Company believes the rolling year return on average net assets ratio is useful in assessing the return on productive assets.

Net assets is calculated as total assets less cash and cash equivalents, short term investments, security deposits, the fair value of Weston Holdings Limited's ("WHL"), a subsidiary of GWL, forward sale agreement for 9.6 million Loblaw common shares and accounts payable and accrued liabilities.

	As at		
($ millions)	**Jun. 19, 2010**	Jun. 20, 2009	Dec. 31 , 2009
Canadian GAAP total assets	**$ 20,078**	$ 19,305	$ 20,143
Less: Cash and cash equivalents	**3,599**	3,059	3,368
Short term investments	**1,429**	1,741	1,538
Security deposits	**280**	423	348
Fair value of WHL's forward sale agreement for 9.6 million Loblaw shares	**401**	421	446
Accounts payable and accrued liabilities	**3,359**	3,058	3,616
Net assets	**$ 11,010**	$ 10,603	$ 10,827

Consolidated Statements of Earnings

(unaudited)

($ millions except where otherwise indicated)	12 Weeks Ended Jun. 19, 2010	12 Weeks Ended Jun. 20, 2009	24 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 20, 2009
Sales	**$ 7,530**	$ 7,484	**$ 14,707**	$ 14,506
Operating Expenses				
Cost of inventories sold (note 11)	**5,596**	5,639	**10,915**	10,891
Selling, administrative and other expenses	**1,393**	1,418	**2,823**	2,881
Depreciation and amortization (note 11)	**152**	139	**306**	272
Goodwill impairment (note 12)				73
	7,141	7,196	**14,044**	14,117
Operating Income	**389**	288	**663**	389
Interest Expense and Other Financing Charges (note 6)	**98**	147	**221**	184
Earnings from Continuing Operations Before the Following:	**291**	141	**442**	205
Income Taxes (note 7)	**90**	61	**152**	115
	201	80	**290**	90
Minority Interest	**76**	76	**123**	113
Net Earnings (Loss) from Continuing Operations	**125**	4	**167**	(23)
Discontinued Operations (note 4)				890
Net Earnings	**$ 125**	$ 4	**$ 167**	$ 867
Net Earnings (Loss) per Common Share – Basic and Diluted ($)				
Continuing Operations (note 8)	**$ 0.89**	$ (0.05)	**$ 1.14**	$ (0.33)
Discontinued Operations				$ 6.89
Net Earnings (Loss)	**$ 0.89**	$ (0.05)	**$ 1.14**	$ 6.56

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

Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

($ millions except where otherwise indicated)	24 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 20, 2009
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	**$ 6,084**	$ 5,282
Cumulative impact of implementing new accounting standards (note 2)		(4)
Net earnings	**167**	867
Dividends declared		
Per common share ($) – $0.72 (2009 – $0.72)	**(93)**	(93)
Per preferred share ($) – Series I – $0.73 (2009 – $0.73)	**(7)**	(7)
– Series III – $0.65 (2009 – $0.65)	**(5)**	(5)
– Series IV – $0.65 (2009 – $0.65)	**(5)**	(5)
– Series V – $0.60 (2009 – $0.60)	**(5)**	(5)
Retained Earnings, End of Period	**$ 6,136**	$ 6,030
Accumulated Other Comprehensive Loss, Beginning of Period	**$ (92)**	$ (322)
Cumulative impact of implementing new accounting standards (note 2)		(1)
Other comprehensive (loss) income	**(16)**	224
Accumulated Other Comprehensive Loss, End of Period (note 18)	**$ (108)**	$ (99)
Total Shareholders' Equity	**$ 6,978**	$ 6,881

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

Consolidated Statements of Comprehensive Income (Loss)

(unaudited)

($ millions)	12 Weeks Ended Jun. 19, 2010	12 Weeks Ended Jun. 20, 2009	24 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 20, 2009
Net earnings	**$ 125**	$ 4	**$ 167**	$ 867
Other comprehensive (loss) income, net of income taxes and minority interest				
Foreign currency translation adjustment	**(2)**	(68)	**(13)**	83
Reclassification of cumulative foreign currency translation loss to net earnings (note 18)				144
	(2)	(68)	**(13)**	227
Net unrealized loss on available-for-sale financial assets		(11)	**(3)**	(7)
Reclassification of net loss (gain) on available-for-sale financial assets to net earnings	**2**	(6)	**5**	(15)
	2	(17)	**2**	(22)
Net gain (loss) on derivatives designated as cash flow hedges		5	**(1)**	2
Reclassification of net (gain) loss on derivatives designated as cash flow hedges to net earnings	**(2)**	8	**(4)**	17
	(2)	13	**(5)**	19
Other comprehensive (loss) income	**(2)**	(72)	**(16)**	224
Total Comprehensive Income (Loss)	**$ 123**	$ (68)	**$ 151**	$ 1,091

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

Consolidated Balance Sheets

($ millions)	Jun. 19, 2010 (unaudited)	As at Jun. 20, 2009 (unaudited)	Dec. 31, 2009
ASSETS			
Current Assets			
Cash and cash equivalents (note 9)	**$ 3,599**	$ 3,059	$ 3,368
Short term investments	**1,429**	1,741	1,538
Accounts receivable (note 10)	**726**	752	851
Inventories (note 11)	**2,164**	2,209	2,210
Income taxes		16	
Future income taxes	**91**	58	87
Prepaid expenses and other assets	**137**	132	98
Total Current Assets	**8,146**	7,967	8,152
Fixed Assets	**9,034**	8,586	9,020
Goodwill and Intangible Assets (note 12)	**1,295**	1,073	1,296
Future Income Taxes	**57**	66	61
Other Assets	**1,546**	1,613	1,614
Total Assets	**$ 20,078**	$ 19,305	$ 20,143
LIABILITIES			
Current Liabilities			
Bank indebtedness	**$ 14**	$ 4	$ 2
Accounts payable and accrued liabilities	**3,359**	3,058	3,616
Income taxes	**56**		78
Short term debt (note 14)	**317**	282	300
Long term debt due within one year	**403**	396	343
Total Current Liabilities	**4,149**	3,740	4,339
Long Term Debt (note 15)	**5,384**	5,315	5,377
Future Income Taxes	**255**	278	269
Other Liabilities	**635**	577	617
Capital Securities (note 16)	**220**	219	220
Minority Interest	**2,457**	2,295	2,379
Total Liabilities	**13,100**	12,424	13,201
SHAREHOLDERS' EQUITY			
Share Capital	**950**	950	950
Retained Earnings	**6,136**	6,030	6,084
Accumulated Other Comprehensive Loss (note 18)	**(108)**	(99)	(92)
Total Shareholders' Equity	**6,978**	6,881	6,942
Total Liabilities and Shareholders' Equity	**$ 20,078**	$ 19,305	$ 20,143

Contingencies, commitments and guarantees (note 19).

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

Consolidated Cash Flow Statements
(unaudited)

($ millions)	12 Weeks Ended Jun. 19, 2010	12 Weeks Ended Jun. 20, 2009	24 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 20, 2009
Operating Activities				
Net earnings from continuing operations before minority interest	**$ 201**	$ 80	**$ 290**	$ 90
Depreciation and amortization	**161**	149	**325**	293
Goodwill impairment (note 12)				73
Foreign exchange losses (note 20)	**6**	90	**35**	186
Loss on extinguishment of debt (notes 6 & 15)		41		41
Settlement of equity forward contracts (note 17)		(38)		(38)
Future income taxes	**27**	(18)	**(13)**	(29)
Fair value adjustment of Weston Holdings Limited's forward sale agreement (note 6)	**20**	33	**61**	(7)
Change in non-cash working capital	**204**	505	**(311)**	(115)
Other	**41**	4	**32**	(24)
Cash Flows from Operating Activities of Continuing Operations	**660**	846	**419**	470
Investing Activities				
Fixed asset purchases	**(222)**	(210)	**(373)**	(347)
Short term investments	**(50)**	(244)	**82**	(1,095)
Proceeds from fixed asset sales	**3**	1	**16**	6
Credit card receivables, after securitization (note 10)	**(9)**	(21)	**124**	208
Franchise investments and other receivables	**6**	8	**7**	(9)
Security deposits and other	**3**	125	**37**	90
Cash Flows used in Investing Activities of Continuing Operations	**(269)**	(341)	**(107)**	(1,147)
Financing Activities				
Bank indebtedness	**10**	(77)	**10**	(92)
Short term debt	**8**	(565)	**17**	(171)
Long term debt - Issued	**352**	352	**377**	360
- Retired (note 15)	**(311)**	(4)	**(322)**	(389)
Capital securities - Retired (note 16)		(265)		(265)
Dividends - To common shareholders	**(47)**	(47)	**(93)**	(47)
- To preferred shareholders	**(11)**	(11)	**(22)**	(14)
- To minority shareholders	**(15)**	(22)	**(15)**	(22)
Cash Flows used in Financing Activities of Continuing Operations	**(14)**	(639)	**(48)**	(640)
Effect of Foreign Currency Exchange Rate Changes on Cash and Cash Equivalents	**(4)**	(111)	**(33)**	(72)
Cash Flows from (used in) Continuing Operations	**373**	(245)	**231**	(1,389)
Cash Flows from Discontinued Operations (note 4)				3,002
Change in Cash and Cash Equivalents	**373**	(245)	**231**	1,613
Cash and Cash Equivalents, Beginning of Period	**3,226**	3,304	**3,368**	1,446
Cash and Cash Equivalents, End of Period	**$ 3,599**	$ 3,059	**$ 3,599**	$ 3,059

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

1. Summary of Significant Accounting Principles

Basis of Presentation The unaudited interim period consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods of application as those used in the preparation of the audited annual consolidated financial statements for the year ended December 31, 2009. 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 2009 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 62.6% at the end of the second quarter of 2010, 61.9% at the end of the second quarter of 2009 and 62.5% at year end 2009. 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.

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, impairment of fixed assets, employee future benefits, goodwill and intangible assets and income taxes 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

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. 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. The impact of implementing these amendments is currently being assessed.

Comparative Information

Certain prior year information has been reclassified to conform with the current year presentation.

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 ("EIC") 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 as at January 1, 2009, retroactively with restatement of the comparative periods.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities On January 20, 2009, the EIC issued Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". 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 require the abstract to be applied retrospectively without restatement of prior periods. Financial assets and financial liabilities, including derivative instruments were remeasured as at January 1, 2009 to take into account the appropriate Company's 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, an increase 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 on the consolidated balance sheet.

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 was implemented by the Company in 2009 and the additional disclosures are included in the notes to the audited annual consolidated financial statements included in the Company's 2009 Annual Report.

3. Business Acquisitions

In the first quarter of 2010, Loblaw finalized the purchase price allocation related to the acquisition of T&T Supermarket Inc. acquired in 2009 which resulted in a reduction of goodwill of $2 million (note 12).

During the second quarter of 2010, Loblaw issued shares from treasury under its Dividend Reinvestment Plan (the "DRIP"). As a result of the Company's participation in the DRIP, the Company's proportional ownership of Loblaw increased and was accounted for as a step acquisition of Loblaw by the Company, resulting in an increase to goodwill of $3 million (2009 – nil) (note 12).

4. Discontinued Operations

As part of the sale of the fresh bread and baked goods business in the United States ("U.S. fresh bakery business") in the first quarter of 2009 and typical of the normal process of selling a business, Dunedin Holdings S.à r.l. ("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.

The results of discontinued operations presented in the comparative period consolidated statement of earnings were as follows:

($ millions)	12 Weeks Ended Jun. 20, 2009	24 Weeks Ended Jun. 20, 2009[1]
Sales	$ 2	$ 145
Operating income		9
Gain on disposal[2]		921
Interest income and other financing charges[3]		(1)
Earnings before the following:		931
Income taxes		41
Earnings from discontinued operations	$	$ 890

(1) Reflects results of the U.S. fresh bakery business up to the date of sale, January 21, 2009 and the gain on disposal.
(2) Net of the reclassification of cumulative foreign currency translation loss of $110 million associated with the U.S. fresh bakery business that was previously reflected in accumulated other comprehensive loss (note 18).
(3) In calculating earnings from discontinued operations, no general interest expense was allocated to these operations.

The cash flows from discontinued operations presented in the comparative period consolidated cash flow statement were as follows:

($ millions)	12 Weeks Ended Jun. 20, 2009	24 Weeks Ended Jun. 20, 2009[1]
Cash flows used in operations	$	$ (105)
Cash flows from investing		3,092
Cash flows from financing		15
Cash flows from discontinued operations	$	$ 3,002

(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. Distribution Network Costs

On April 27, 2010, Loblaw announced changes to its distribution network in Quebec. In connection with these changes a certain distribution centre was closed and an asset impairment charge of $23 million was recorded as the carrying value of the facility exceeded the fair value. In addition, employee termination charges and other costs of $16 million were incurred. As at the end of the second quarter of 2010, $12 million was recorded on the consolidated balance sheet in accounts payable and accrued liabilities related to these charges.

6. Interest Expense and Other Financing Charges

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 19, 2010**	Jun. 20, 2009	**Jun. 19, 2010**	Jun. 20, 2009
Interest on long term debt	**$ 84**	$ 85	**$ 172**	$ 170
Loss on extinguishment of debt (note 15)		41		41
Interest expense on financial derivative instruments	**2**	1	**4**	3
Other financing charges(1)	**16**	29	**53**	(16)
Net short term interest income	**(2)**	(7)	**(4)**	(12)
Interest income on security deposits	**(1)**	(1)	**(1)**	(3)
Dividends on capital securities	**4**	4	**7**	11
Capitalized to fixed assets	**(5)**	(5)	**(10)**	(10)
Interest expense and other financing charges	**$ 98**	$ 147	**$ 221**	$ 184

(1) Other financing charges for the second quarter and year-to-date 2010 include a non-cash charge of $20 million (2009 – $33 million) and a non-cash charge of $61 million (2009 – non-cash income of $7 million), respectively, related to the fair value adjustment of Weston Holdings Limited's ("WHL"), a subsidiary of GWL, 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 WHL owns. WHL does not record any change in the market price associated with the Loblaw common shares it owns. Any cash paid under the forward contract could be offset by the sale of the Loblaw common shares. Also included in other financing charges for the second quarter and year-to-date 2010 is forward accretion income of $8 million (2009 – $8 million) and $16 million (2009 – $17 million), respectively, and the forward fee of $4 million (2009 – $4 million) and $8 million (2009 – $8 million), respectively, associated with WHL's forward sale agreement.

Interest on debt and dividends on capital securities paid in the second quarter and year-to-date 2010 were $133 million and $232 million (2009 – $134 million and $255 million), respectively, and interest received on cash, short term investments and security deposits was $16 million and $28 million (2009 – $28 million and $56 million), respectively.

7. Income Taxes

The effective income tax rates for the second quarter and year-to-date 2010 were 30.9% and 34.4% (2009 – 43.3% and 56.1%), respectively. Both the second quarter and year-to-date 2010 decreases in the effective income tax rates compared to the same periods in 2009 were primarily due to decreases in non-deductible foreign exchange losses. These decreases were partially offset by year-over-year increases in income tax expenses relating to certain prior year income tax matters when compared to the same periods in 2009.

Net income taxes paid in the second quarter and year-to-date 2010 were $65 million and $179 million (2009 – $34 million and $204 million), respectively.

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

	12 Weeks Ended		24 Weeks Ended	
($ millions except where otherwise indicated)	**Jun. 19, 2010**	Jun. 20, 2009	**Jun. 19, 2010**	Jun. 20, 2009
Net earnings (loss) from continuing operations	**$ 125**	$ 4	**$ 167**	$ (23)
Prescribed dividends on preferred shares in share capital	**(10)**	(10)	**(20)**	(20)
Net earnings (loss) from continuing operations available to common shareholders	**$ 115**	$ (6)	**$ 147**	$ (43)
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 (loss) per common share from continuing operations ($)	**$ 0.89**	$ (0.05)	**$ 1.14**	$ (0.33)

(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 (loss) per common share from continuing operations. Accordingly, for the second quarter and year-to-date 2010, 300,638 and 906,296 stock options, with a weighted average exercise price of $108.69 and $84.31, respectively, were excluded from the computation of diluted net earnings per common share from continuing operations. For the second quarter and year-to-date 2009, 1,274,073 stock options, with an average exercise price of $86.32, were excluded from the computation of diluted net loss per common share from continuing operations.

9. Cash and Cash Equivalents

The components of cash and cash equivalents were as follows:

		As at	
($ millions)	**Jun. 19, 2010**	Jun. 20, 2009	Dec. 31, 2009
Cash	**$ 127**	$ 211	$ 294
Cash equivalents - short term investments with a maturity of 90 days or less:			
Bank term deposits	**1,609**	640	1,140
Government treasury bills	**1,051**	1,747	1,446
Government-sponsored debt securities	**283**	197	99
Corporate commercial paper	**503**	253	389
Foreign bonds	**26**	11	
Cash and cash equivalents	**$ 3,599**	$ 3,059	$ 3,368

As at June 19, 2010, June 20, 2009 and December 31, 2009, U.S. $2,282 million, U.S. $2,190 million and U.S. $2,220 million (June 19, 2010 – $2,332 million; June 20, 2009 – $2,488 million; December 31, 2009 – $2,338 million), respectively, was included in cash and cash equivalents, short term investments and security deposits on the consolidated balance sheets.

The following is a summary of unrealized foreign exchange losses as a result of translating U.S. dollar denominated cash and cash equivalents, short term investments and security deposits:

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 19, 2010**	Jun. 20, 2009	**Jun. 19, 2010**	Jun. 20, 2009
Loblaw(1)	**$ 4**	$ 92	**$ 29**	$ 63
The Company (excluding Loblaw)(2)	**6**	126	**39**	83
Consolidated	**$ 10**	$ 218	**$ 68**	$ 146

(1) Includes losses of $2 million and $13 million (2009 - $37 million and $23 million) related to cash and cash equivalents, for the second quarter and year-to-date 2010, respectively.

During the second quarter and year-to-date 2010, the loss on cash and cash equivalents, short term investments and security deposits was partially offset in operating income and other comprehensive (loss) income by the unrealized foreign exchange gain of $4 million and $29 million (2009 - $90 million and $62 million), respectively, on Loblaw's cross currency swaps.

(2) Includes losses of $2 million and $20 million (2009 - $74 million and $49 million) related to cash and cash equivalents, for the second quarter and year-to-date 2010, respectively.

During the second quarter and year-to-date 2010, unrealized foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and cash equivalents and short term investments held by Dunedin and certain of its affiliates of $6 million and $35 million (2009 - $90 million and $104 million), respectively, were recognized in operating income (note 20). The remaining unrealized foreign exchange losses as a result of translating U.S. dollar denominated net assets, including cash and cash equivalents, short term investments and security deposits held in self-sustaining foreign operations are recognized in other comprehensive (loss) income (note 18).

10. Accounts Receivable

The components of accounts receivable were as follows:

	As at		
($ millions)	**Jun. 19, 2010**	Jun. 20, 2009	Dec. 31, 2009
Credit card receivables	**$ 1,906**	$ 1,991	$ 2,128
Amount securitized	**(1,635)**	(1,775)	(1,725)
Net credit card receivables	**271**	216	403
Other receivables	**455**	536	448
Accounts receivable	**$ 726**	$ 752	$ 851

Credit Card Receivables From time to time, President's Choice Bank ("PC Bank"), a wholly owned subsidiary of Loblaw, securitizes certain credit card receivables by selling them to independent trusts that issue interest bearing securities. During the second quarter and year-to-date 2010, PC Bank repurchased nil and $90 million (2009 – nil and nil) of co-ownership interest in securitized receivables from an independent trust. The independent trusts' recourse to PC Bank's assets is limited to PC Bank's excess collateral of $114 million (June 20, 2009 – $124 million; December 31, 2009 – $121 million) as well as standby letters of credit issued of $103 million (June 20, 2009 – $116 million; December 31, 2009 – $116 million) on a portion of the securitized amount. A portion of the securitized receivables that is held by an independent trust facility with a term of 364 days is subject to renewal during the third quarter of 2010.

Other Receivables Other receivables consist mainly of receivables from Loblaw's independent franchisees, associated stores and independent accounts, and receivables from Weston Foods customers.

11. Inventories

The components of inventories were as follows:

($ millions)	Jun. 19, 2010	As at Jun. 20, 2009	Dec. 31, 2009
Raw materials and supplies	**$ 34**	$ 37	$ 36
Finished goods	**2,130**	2,172	2,174
Inventories	**$ 2,164**	$ 2,209	$ 2,210

Cost of inventories sold includes $9 million and $19 million (2009 – $10 million and $21 million) of depreciation during the second quarter and year-to-date 2010, respectively.

For inventories recorded as at June 19, 2010, Loblaw recorded $16 million (June 20, 2009 – $32 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	Jun. 19, 2010 Total	As at Jun. 20, 2009	Dec. 31, 2009
Goodwill, beginning of period	**$ 92**	**$ 1,103**	**$ 1,195**	$ 1,116	$ 1,116
Goodwill, acquired during the period (note 3)		**4**	**4**		156
Adjusted purchase price allocation (note 3)		**(2)**	**(2)**		
Goodwill impairment[1]				(73)	(73)
Impact of foreign currency translation	**(1)**		**(1)**		(4)
Goodwill, end of period	**91**	**1,105**	**1,196**	1,043	1,195
Trademarks and brand names	**13**	**51**	**64**	13	64
Other intangible assets	**4**	**31**	**35**	17	37
Goodwill and intangible assets	**$ 108**	**$ 1,187**	**$ 1,295**	$ 1,073	$ 1,296

(1) Weston Foods reorganized its remaining operations subsequent to the disposition of the U.S. fresh bakery business in the first quarter of 2009 resulting in a write-down of goodwill related to the biscuits, cookies, cones and wafers business.

13. Employee Future Benefits

The Company's total net benefit plan cost recognized in operating income was $47 million and $98 million (2009 – $47 million and $96 million) for the second quarter and year-to-date 2010, 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

Included in short term debt are GWL's Series B debentures, due on demand, of $317 million (June 20, 2009 – $282 million; December 31, 2009 – $300 million) as at the end of the second quarter of 2010.

15. Long Term Debt

As at June 19, 2010, June 20, 2009 and December 31, 2009, U.S. $300 million (June 19, 2010 – $307 million; June 20, 2009 – $341 million; December 31, 2009 – $316 million) of Loblaw fixed rate notes was recorded in long term debt on the consolidated balance sheets.

During the second quarter of 2010, Loblaw issued $350 million principal amount of unsecured Medium Term Notes (“MTN”), Series 2-B pursuant to its MTN, Series 2 program. The Series 2-B notes pay a fixed rate of interest of 5.22% payable semi-annually commencing on December 18, 2010 until maturity on June 18, 2020. During the second quarter of 2009, Loblaw issued $350 million principal amount of unsecured MTN, Series 2-A which pay a fixed rate of interest of 4.85% payable semi-annually. The Series 2-A and 2-B notes are subject to certain covenants and are unsecured obligations of Loblaw and rank equally with all the unsecured indebtedness of Loblaw that has not been subordinated. The Series 2-A and 2-B 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.

During the second quarter of 2010, Loblaw’s $300 million 7.10% MTN matured and was repaid. During the first quarter of 2009, Loblaw’s $125 million 5.75% MTN matured and was repaid.

During the second quarter of 2009, GWL entered into an agreement to repurchase a portion of the 12.7% Promissory Notes, due 2030. Principal of $140 million and interest coupons of $48 million were repurchased from a single counterparty subsequent to the end of the second quarter of 2009, for an aggregate purchase price of $57 million. This resulted in the extinguishment of a portion of the original liability and the recognition of a new liability as at the end of the second quarter of 2009. During the second quarter of 2009, GWL recorded a pre-tax loss of $41 million in interest expense and other financing charges (note 6).

During the first quarter of 2009, GWL’s $250 million 5.90% MTN matured and was repaid.

16. Capital Securities

During the second quarter of 2009, GWL’s 10.6 million 5.15% non-voting preferred shares, Series II, which were presented as capital securities and included in current 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.

Of the 12.0 million authorized non-voting Loblaw second preferred shares, Series A, 9.0 million were outstanding at the end of the second quarter of 2010.

Dividends on capital securities are presented in interest expense and other financing charges in the consolidated statements of earnings (note 6).

17. Stock-Based Compensation

The following table summarizes the Company’s cost recognized in operating income related to its stock-based compensation plans, restricted share unit plans and GWL’s and Glenhuron Bank Limited’s (“Glenhuron”) equity derivatives:

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 19, 2010**	Jun. 20, 2009	**Jun. 19, 2010**	Jun. 20, 2009
Stock option plans / share appreciation right plan expense	**$ 12**	$ 3	**$ 25**	$ 3
Restricted share unit plan expense	**6**	4	**9**	6
Equity derivative contracts (income) loss	**(12)**	(18)	**(24)**	3
Net stock-based compensation expense (income)	**$ 6**	$ (11)	**$ 10**	$ 12

Stock Option Plan The following is a summary of GWL's stock option and share appreciation right plan activity:

	12 Weeks Ended		24 Weeks Ended	
Number of Options/Rights	**Jun. 19, 2010**	Jun. 20, 2009	**Jun. 19, 2010**	Jun. 20, 2009
Outstanding options/rights, beginning of period	**1,587,445**	1,827,449	**1,761,345**	1,616,344
Granted	**2,948**		**171,799**	230,430
Exercised	**(76,315)**	(2,962)	**(86,033)**	(18,987)
Forfeited/cancelled	**(65,525)**	(38,159)	**(398,558)**	(41,459)
Outstanding options, end of period	**1,448,553**	1,786,328	**1,448,553**	1,786,328
Share appreciation value paid ($ millions)	**$ 1**	$	**$ 1**	$

During the second quarter of 2010, GWL granted stock options with an exercise price of $73.43 (2009 – nil).

The share appreciation value paid by GWL in the second quarter and year-to-date 2009 was nominal.

The following is a summary of Loblaw's stock option plan activity:

	12 Weeks Ended		24 Weeks Ended	
Number of Options	**Jun. 19, 2010**	Jun. 20, 2009	**Jun. 19, 2010**	Jun. 20, 2009
Outstanding options, beginning of period	**9,835,263**	10,199,254	**9,207,816**	7,892,660
Granted	**10,525**	24,769	**2,489,095**	2,665,615
Exercised	**(125,195)**	(71,756)	**(424,975)**	(81,408)
Forfeited/cancelled	**(135,587)**	(591,586)	**(1,686,930)**	(916,186)
Outstanding options, end of period	**9,585,006**	9,560,681	**9,585,006**	9,560,681
Share appreciation value paid ($ millions)	**$ 1**	$	**$ 3**	$

During the second quarter of 2010, Loblaw granted stock options with an exercise price of $37.92 (2009 – $36.17).

The share appreciation value paid by Loblaw in the second quarter and year-to-date 2009 was nominal.

At the end of the second quarter of 2010, GWL outstanding stock options represented approximately 1.1% (2009 – 1.3%) of GWL's issued and outstanding common shares. Loblaw's outstanding stock options represented approximately 3.5% (2009 – 3.5%) of its issued and outstanding common shares. The number of stock options outstanding was within the Companies' guidelines of 5% of the total number of outstanding shares.

Restricted Share Unit ("RSU") Plan The following is a summary of GWL's RSU plan activity:

	12 Weeks Ended		24 Weeks Ended	
Number of Awards	**Jun. 19, 2010**	Jun. 20, 2009	**Jun. 19, 2010**	Jun. 20, 2009
RSUs, beginning of period	**166,295**	154,128	**152,555**	151,769
Granted	**421**		**47,899**	61,677
Cash settled	**(638)**	(1,209)	**(34,148)**	(59,423)
Cancelled	**(3,865)**	(1,393)	**(4,093)**	(2,497)
RSUs, end of period	**162,213**	151,526	**162,213**	151,526
RSUs cash settled ($ millions)	**$**	$	**$ 2**	$ 4

The cash paid by GWL in the second quarters of 2010 and 2009 was nominal.

The following is a summary of Loblaw's RSU plan activity:

	12 Weeks Ended		24 Weeks Ended	
Number of Awards	**Jun. 19, 2010**	Jun. 20, 2009	**Jun. 19, 2010**	Jun. 20, 2009
RSUs, beginning of period	**1,097,910**	1,054,156	**973,351**	829,399
Granted	**1,469**	3,994	**372,725**	429,087
Cash settled	**(8,072)**	(5,021)	**(171,764)**	(187,335)
Cancelled	**(9,398)**	(55,511)	**(92,403)**	(73,533)
RSUs, end of period	**1,081,909**	997,618	**1,081,909**	997,618
RSUs cash settled ($ millions)	**$**	$	**$ 6**	$ 6

The cash paid by Loblaw in the second quarters of 2010 and 2009 was nominal.

Equity Derivative Contracts As at June 19, 2010, Glenhuron had equity forward contracts to buy 1.5 million (June 20, 2009 – 3.2 million; December 31, 2009 – 1.5 million) Loblaw common shares at an average forward price of $66.73 (June 20, 2009 – $53.82; December 31, 2009 – $66.25) including $10.51 (June 20, 2009 – $9.20; December 31, 2009 – $10.03) per common share of interest expense. As at June 19, 2010, the interest and unrealized market loss of $40 million (June 20, 2009 – $62 million; December 31, 2009 – $48 million) was included in accounts payable and accrued liabilities. In the second quarter of 2009, Glenhuron paid $38 million to terminate equity forwards representing 1.6 million shares, which led to the extinguishment of a corresponding portion of the associated liability.

Also as at June 19, 2010, GWL had equity swaps to buy 1.7 million (June 20, 2009 – 1.7 million; December 31, 2009 – 1.7 million) GWL common shares at an average forward price of $103.17 (June 20, 2009 – $103.17; December 31, 2009 – $103.17). As at June 19, 2010, the unrealized market loss of $49 million (June 20, 2009 – $72 million; December 31, 2009 – $61 million) was included in accounts payable and accrued liabilities.

18. Accumulated Other Comprehensive Loss

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

	24 Weeks Ended Jun. 19, 2010			
($ millions)	**Foreign currency translation adjustment**	**Available-for-sale assets**	**Cash flow hedges**	**Total**
Balance, beginning of period	**$ (103)**	**$ (3)**	**$ 14**	**$ (92)**
Foreign currency translation adjustment	**(13)**			**(13)**
Net unrealized loss on available-for-sale financial assets(1)		**(3)**		**(3)**
Reclassification of loss on available-for-sale financial assets(2)		**5**		**5**
Net loss on derivatives designated as cash flow hedges(3)			**(1)**	**(1)**
Reclassification of gain on derivatives designated as cash flow hedges(4)			**(4)**	**(4)**
Balance, end of period	**$ (116)**	**$ (1)**	**$ 9**	**$ (108)**

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

The change in the foreign currency translation adjustment in the first half of 2010 of $13 million resulted from the appreciation of the Canadian dollar relative to the U.S. dollar.

	24 Weeks Ended Jun. 20, 2009			
($ millions)	Foreign currency translation adjustment	Available-for-sale assets	Cash flow hedges	Total
Balance, beginning of period	$ (334)	$ 10	$ 2	$ (322)
Cumulative impact of implementing new accounting standards[(1)]			(1)	(1)
Foreign currency translation adjustment	83			83
Reclassification of cumulative foreign currency translation loss to net earnings	144			144
Net unrealized loss on available-for-sale financial assets[(2)]		(7)		(7)
Reclassification of gain on available-for-sale financial assets[(3)]		(15)		(15)
Net gain on derivatives designated as cash flow hedges[(4)]			2	2
Reclassification of loss on derivatives designated as cash flow hedges[(5)]			17	17
Balance, end of period	$ (107)	$ (12)	$ 20	$ (99)

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

The change in the foreign currency translation adjustment in the first half of 2009 of $83 million resulted primarily from the depreciation of the Canadian dollar relative to the U.S. dollar in the period prior to the sale of the U.S. fresh bakery business, partially offset by the appreciation of the Canadian dollar thereafter.

The Company also reversed a cumulative foreign currency translation loss of $144 million in the first quarter of 2009, of which $34 million was recorded in operating income and $110 million was included in the results of discontinued operations (note 4).

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. The trusts are administered by a major Canadian chartered bank.

The gross principal amount of loans issued to Loblaw's independent franchisees outstanding as at June 19, 2010 was $390 million (June 20, 2009 – $387 million; December 31, 2009 – $390 million) including $178 million (June 20, 2009 – $149 million; December 31, 2009 – $163 million) of loans payable by VIEs consolidated by the Company. Loblaw has agreed to provide credit enhancement of $66 million (June 20, 2009 – $66 million; December 31, 2009 – $66 million) in the form of a standby letter of credit for the benefit of the independent funding trust representing not less than 15% of the principal amount of the loans outstanding. The standby letter of credit has not been drawn upon.

During the second quarter of 2010, the $475 million, 364-day revolving committed credit facility that is the source of funding to the independent trusts was renewed. The financing structure has been reviewed and Loblaw determined there were no additional VIEs to consolidate as a result of this financing.

Standby Letters of Credit Standby letters of credit for the benefit of independent trusts with respect to the credit card receivables securitization program of PC Bank have been issued by major Canadian chartered banks. These standby letters of credit could be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables. Loblaw has agreed to reimburse the issuing banks for any amount drawn on the standby letters of credit. The aggregate gross potential liability under these arrangements, which represents 9% (June 20, 2009 – 9%; December 31, 2009 – 9%) on a portion of the securitized credit card receivables amount, is approximately $103 million (June 20, 2009 – $116 million; December 31, 2009 – $116 million) (note 10).

Legal Proceedings 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. 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 2009 Annual Report. The Company measures each reportable operating segment's performance based on operating income. Neither reportable operating segment is reliant on any single external customer.

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 19, 2010**	Jun. 20, 2009	**Jun. 19, 2010**	Jun. 20, 2009
Sales				
Weston Foods	**$ 359**	$ 395	**$ 744**	$ 832
Loblaw	**7,317**	7,233	**14,243**	13,951
Intersegment	**(146)**	(144)	**(280)**	(277)
Consolidated	**$ 7,530**	$ 7,484	**$ 14,707**	$ 14,506
Operating Income				
Weston Foods	**$ 67**	$ 56	**$ 112**	$ 29
Loblaw	**328**	322	**586**	546
Other(1)	**(6)**	(90)	**(35)**	(186)
Consolidated	**$ 389**	$ 288	**$ 663**	$ 389

		As at	
($ millions)	**Jun. 19, 2010**	Jun. 20, 2009	Dec. 31, 2009
Total Assets			
Weston Foods	**$ 1,584**	$ 1,926	$ 1,674
Loblaw	**15,291**	14,114	15,151
Other(2)	**3,203**	3,265	3,318
Consolidated	**$ 20,078**	$ 19,305	$ 20,143

(1) Operating income for the second quarter and year-to-date 2010 includes a loss of $6 million and $35 million (2009 – $90 million and $152 million), respectively, related to foreign exchange losses associated with the effect of foreign exchange on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates, which are integrated foreign subsidiaries for accounting purposes. Year-to-date 2009 operating income also includes the cumulative foreign currency translation loss of $34 million associated with Dunedin and certain of its affiliates, which was reversed from accumulated other comprehensive loss on the date of the sale of the U.S. fresh bakery business (note 18).

(2) Other includes cash and cash equivalents and short term investments held by Dunedin and certain of its affiliates.

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 drugstore, general merchandise 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.

Shareholder Information

Registrar and Transfer Agent

Computershare Investor Services Inc.	Toll free (Canada and U.S.A.): 1-800-564-6253
100 University Avenue	International direct dial: 514-982-7555
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To change your address or eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare Investor Services Inc.

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 the Canadian securities regulatory authorities 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 62.6%-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.

Second Quarter Conference Call and Webcast

George Weston Limited will host a conference call as well as an audio webcast on Friday, July 30, 2010 at 11:00 a.m. (EST). To access via tele-conference, please dial (647) 427-7450. The playback will be made available two hours after the event at (416) 849-0833, passcode: 84951000#. To access via audio webcast, please visit the "Investor Zone" section of www.weston.ca. Pre-registration will be available.

Ce rapport est disponible en français.

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