Q2

2011

Quarterly Report to Shareholders

George Weston Limited

24 Weeks Ended June 18, 2011

Weston

Weston

FORWARD-LOOKING STATEMENTS

This Quarterly Report for George Weston Limited ("GWL") and its subsidiaries (collectively, the "Company"), including this Management's Discussion and Analysis ("MD&A"), contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, 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 and changes in interest and foreign currency exchange rates;
- 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;
- 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 and failure to comply with the legislative/regulatory environment in which the Company operates, including failure to comply with environmental laws and regulations;
- 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 share based compensation and equity derivative contracts relating to GWL and Loblaw Companies Limited ("Loblaw") common shares;
- changes in the Company's income, commodity and other tax liabilities including changes in tax laws or future assessments;
- reliance on the performance and retention of third-party service providers, including those associated with the Company's supply chain and apparel business;
- public health events;
- risks associated with product defects, food safety and product handling;
- 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;
- supply and quality control issues with vendors; and
- failure by the Company to maintain appropriate documentation to support its compliance with accounting, tax or legal rules, regulations and policies.

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 this MD&A and Section 12, "Enterprise Risks and Risk Management", of the MD&A included in GWL's 2010 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.

Report to Shareholders[2]

CONSOLIDATED RESULTS OF OPERATIONS

George Weston Limited's second quarter 2011 adjusted basic net earnings per common share[1] were $1.34 compared to $1.17 in the same period in 2010, an increase of $0.17. Although adjusted operating income[1] declined compared to the same period in 2010, adjusted basic net earnings per common share[1] improved due to decreases in both net interest expense and other financing charges and income tax expense.

(unaudited)	12 Weeks Ended			24 Weeks Ended		
($ millions except where otherwise indicated)	**Jun. 18, 2011**	Jun. 19, 2010	Change	**Jun. 18, 2011**	Jun. 19, 2010	Change
Sales	**$ 7,531**	$ 7,482	0.7%	**$ 14,679**	$ 14,646	0.2%
Operating income	**$ 397**	$ 407	(2.5)%	**$ 700**	$ 707	(1.0)%
Operating margin	**5.3%**	5.4%		**4.8%**	4.8%	
Adjusted operating income[1]	**$ 440**	$ 447	(1.6)%	**$ 820**	$ 792	3.5%
Adjusted operating margin[1]	**5.8%**	6.0%		**5.6%**	5.4%	
Net interest expense and other financing charges	**$ 98**	$ 115	(14.8)%	**$ 164**	$ 258	(36.4)%
Net earnings attributable to shareholders of the Company	**$ 157**	$ 128	22.7%	**$ 262**	$ 165	58.8%
Basic net earnings per common share ($)	**$ 1.13**	$ 0.91	24.2%	**$ 1.87**	$ 1.12	67.0%
Adjusted basic net earnings per common share ($)[1]	**$ 1.34**	$ 1.17	14.5%	**$ 2.41**	$ 1.91	26.2%
Adjusted EBITDA[1]	**$ 612**	$ 601	1.8%	**$ 1,158**	$ 1,100	5.3%
Adjusted EBITDA margin[1]	**8.1%**	8.0%		**7.9%**	7.5%	
Net debt[1]	**$ 3,722**	$ 2,380	56.4%	**$ 3,722**	$ 2,380	56.4%

Due to the Company's transition to International Financial Reporting Standards ("IFRS" or "GAAP"), effective the first quarter of 2011, all comparative figures that were previously reported in accordance with Canadian Generally Accepted Accounting Principles have been restated to conform with IFRS.

As previously noted in the first quarter of 2011, the Company is using three new non-GAAP financial measures: adjusted basic net earnings per common share[1], adjusted operating income[1] and adjusted EBITDA[1]. Under GAAP, certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying operating performance. These non-GAAP financial measures exclude the impact of certain items and are used internally when analyzing consolidated and segment underlying operating performance. These non-GAAP financial measures are also helpful in assessing underlying operating performance on a consistent basis. Adjusted operating income[1] and adjusted EBITDA[1] exclude restructuring and other charges, foreign currency translation losses, a commodity derivatives fair value adjustment at Weston Foods, the effect of certain prior years' commodity tax matters at Loblaw Companies Limited ("Loblaw") and the impact of share-based compensation net of equity derivatives. Adjusted basic net earnings per common share[1] also exclude the impact of the accounting for Weston Holdings Limited's ("WHL"), a subsidiary of GWL, forward sale agreement for 9.6 million Loblaw common shares. See the "Non-GAAP Financial Measures" section of Management's Discussion and Analysis for more information on the Company's non-GAAP financial measures.

(1) See non-GAAP financial measures on page 20.
(2) To be read in conjunction with "Forward-Looking Statements".

OPERATING SEGMENTS

Weston Foods

Weston Foods sales in the second quarter of 2011 increased by 13.4% to $407 million, supported by volume growth of 10.6%, compared to the same period in 2010. The acquisition of Keystone Bakery Holdings, LLC and ACE Bakery Ltd. in the third and fourth quarters of 2010, respectively, positively impacted sales growth and volume growth by approximately 11.6% and 9.5%, respectively, while foreign currency translation negatively impacted sales growth by approximately 2.8%. Excluding the acquisitions and foreign currency translation, sales increased by 4.6% due to the positive impact of higher pricing across key product categories of 3.5% and an increase in volume of 1.1%.

Weston Foods operating income in the second quarter of 2011 was $55 million compared to $70 million in the same period in 2010. Operating margin for the second quarter of 2011 was 13.5% compared to 19.5% in the same period in 2010.

Weston Foods adjusted operating income(1) was $65 million in the second quarter of 2011 compared to $55 million in the same period in 2010, an increase of 18.2%. Weston Foods adjusted operating margin(1) was 16.0% compared to 15.3% in the same period in 2010. Adjusted operating income(1) was positively impacted by sales growth mainly as a result of higher pricing in key product categories and the bakery acquisitions, and by the benefits realized from productivity improvements and other cost reduction initiatives, which were partially offset by the impact of higher input and fuel costs and increased promotional spending. Weston Foods adjusted operating income(1) excludes a commodity derivatives fair value adjustment, the impact of share-based compensation net of equity derivatives and restructuring and other charges. See the "Non-GAAP Financial Measures" section of Management's Discussion and Analysis for more information on the Company's non-GAAP financial measures.

Loblaw

As Loblaw progressed through the second quarter of 2011, it continued to focus on building out its infrastructure and developing opportunities for growth. Unpredictable and competitively intense market conditions continue to put Loblaw retail sales at risk.

As part of Loblaw's planned succession process, Vicente Trius, the newly appointed President, will join Loblaw Companies Limited on August 2, 2011.

Loblaw sales in the second quarter of 2011 increased by 0.1% to $7,278 million compared to the same period in 2010. Same-store retail sales declined by 0.4% (2010 – 0.3%). Sales in food were flat, sales in drugstore declined moderately, gas bar sales growth was strong, sales in general merchandise, excluding apparel, declined significantly and sales growth in apparel was modest. Loblaw experienced moderate average quarterly internal food price inflation during the second quarter of 2011, which was lower than the average quarterly national food price inflation of 4.0% (2010 – 0.3%) as measured by "The Consumer Price Index for Food Purchased from Stores". In the second quarter of 2010, Loblaw experienced marginal average quarterly internal food price deflation.

Loblaw operating income and operating margin in the second quarter of 2011 were flat at $343 million and 4.7%, respectively, compared to the same period in 2010. Loblaw's retail operating income improved and was offset by significant marketing investments and customer acquisition costs, consistent with Loblaw's continued investment in the growth of its Financial Services segment.

Loblaw adjusted operating income(1) was $375 million in the second quarter of 2011 compared to $392 million in the same period in 2010, a decrease of 4.3%. Loblaw adjusted operating margin(1) was 5.2% compared to 5.4% in the same period in 2010. Adjusted operating income(1) was negatively impacted by the incremental costs related to the investment in information technology and supply chain and the continued investment in the growth of Loblaw's Financial Services segment. Adjusted operating income(1) was positively impacted by

(1) See non-GAAP financial measures on page 20.

improved control label profitability, continued labour and other operating cost efficiencies and improved shrink, partially offset by increases in promotional pricing programs and transportation costs compared to the same period in 2010. Loblaw adjusted operating income[1] excludes the impact of share-based compensation net of equity derivatives, the effect of certain prior years' commodity tax matters and other charges. See the "Non-GAAP Financial Measures" section of Management's Discussion and Analysis for more information on the Company's non-GAAP financial measures.

NET INTEREST EXPENSE AND OTHER FINANCING CHARGES

Net interest expense and other financing charges in the second quarter of 2011 decreased by $17 million to $98 million compared to the same period in 2010, primarily due to a $14 million decrease in the non-cash charge related to the fair value adjustment of WHL's forward sale agreement for 9.6 million Loblaw common shares. Excluding the impact of the fair value adjustment, net interest expense and other financing charges in the second quarter of 2011 decreased by $3 million compared to the same period in 2010, primarily due to an increase in interest income.

INCOME TAXES

The effective income tax rate decreased to 23.1% in the second quarter of 2011 compared to 33.2% in the same period in 2010. The decrease was primarily due to a decrease in income tax expense related to certain prior year income tax matters, reductions in the Federal and Ontario Statutory income tax rates and a decrease in non-deductible foreign currency translation losses in the second quarter of 2011 compared to the same period in 2010. The effective income tax rate in the second quarter of 2011 was also impacted by the utilization of realized foreign currency losses recorded in the second quarter of 2011.

NET DEBT[1]

The Company's net debt[1] as at the end of the second quarter of 2011 was $3,722 million compared to $2,553 million as at year end 2010. The increase was primarily due to a reduction in cash as a result of the payment of the $1.0 billion special one-time common share dividend in the first quarter of 2011, fixed asset purchases and interest paid, partially offset by cash inflows from operating activities.

OUTLOOK[2]

This outlook reflects the underlying operating performance of the Company's operating segments as discussed below.

For the remainder of 2011, Weston Foods expects to continue to deliver sales growth driven primarily from the full year impact of the 2010 bakery acquisitions and satisfactory operating performance despite significant cost pressures and a competitive pricing environment. Weston Foods will maintain its focus on mitigating higher commodity and energy costs through continued cost reduction initiatives and by managing pricing in an effort to achieve full year operating margins in line with those in 2010.

Loblaw remains focused on building out its infrastructure and developing opportunities for growth. Unpredictable and competitively intense market conditions continue to put Loblaw retail sales at risk. For the remainder of the year, Loblaw plans to continue its investment in information technology and supply chain which will negatively impact operating income.

George Weston Limited continues to assess opportunities for the deployment of its significant holdings of cash and short term investments.

[signed]

W. Galen Weston	Toronto, Canada
Chairman and President	July 28, 2011

(1) See non-GAAP financial measures on page 20.
(2) 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 second quarter 2011 unaudited interim period condensed consolidated financial statements and the accompanying notes on pages 28 to 67 of this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2010 and the related annual MD&A included in the Company's 2010 Annual Report and certain additional disclosures included in the Company's first quarter 2011 unaudited interim period condensed consolidated financial statements and the accompanying notes and the related interim MD&A.

The Company's second quarter 2011 unaudited interim period condensed consolidated financial statements and the accompanying notes will form part of the first annual audited consolidated financial statements to be prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") for the year ended December 31, 2011 and are prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". These unaudited interim period condensed consolidated financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars.

A glossary of terms and ratios used throughout this Quarterly Report can be found beginning on page 126 of the Company's 2010 Annual Report. In addition, this Quarterly Report includes the following terms: "rolling year net debt[1] to adjusted EBITDA[1]", which is defined as net debt[1] divided by cumulative adjusted 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]; and "rolling year return on average common shareholders' equity", which is defined as cumulative net earnings available to common shareholders for the latest four quarters divided by average total common shareholders' equity attributable to shareholders of the Company.

The information in this MD&A is current to July 28, 2011, unless otherwise noted.

CONSOLIDATED RESULTS OF OPERATIONS

All comparative figures that were previously reported in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP") have been restated to conform with IFRS. See note 16 on page 48 of the unaudited interim period condensed consolidated financial statements for further information on the transition to IFRS and its impact on the Company's financial position and financial performance.

As previously noted in the first quarter of 2011, the Company is using three new non-GAAP financial measures: adjusted basic net earnings per common share[1], adjusted operating income[1] and adjusted EBITDA[1]. Under GAAP, certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying operating performance. These non-GAAP financial measures exclude the impact of certain items and are used internally when analyzing consolidated and segment underlying operating performance. These non-GAAP financial measures are also helpful in assessing underlying operating performance on a consistent basis. Adjusted operating income[1] and adjusted EBITDA[1] exclude restructuring and other charges, foreign currency translation losses, a commodity derivatives fair value adjustment at Weston Foods, the effect of certain prior years' commodity tax matters at Loblaw Companies Limited ("Loblaw") and the impact of share-based compensation net of equity derivatives. Adjusted basic net earnings per common share[1] also exclude the impact of the accounting for Weston Holdings Limited's ("WHL"), a subsidiary of GWL, forward sale agreement for 9.6 million Loblaw common shares. See the "Non-GAAP Financial Measures" section of this MD&A for more information on the Company's non-GAAP financial measures.

(1) See non-GAAP financial measures on page 20.

Sales Sales for the second quarter of 2011 increased 0.7% to $7,531 million from $7,482 million in the same period in 2010. On a year-to-date basis, sales increased 0.2% to $14,679 million from $14,646 million in 2010. The impact of foreign currency translation on the Weston Foods operating segment negatively impacted consolidated sales growth by approximately 0.1% for the second quarter of 2011 and 0.2% on a year-to-date basis. The Company's second quarter year-over-year change in consolidated sales was impacted by each of its reportable operating segments as follows:

- Positively by 0.6% due to sales growth of 13.4%, supported by volume growth of 10.6%, at Weston Foods. The acquisition of Keystone Bakery Holdings, LLC ("Keystone") and ACE Bakery Ltd. ("ACE") positively impacted sales growth and volume growth by approximately 11.6% and 9.5%, respectively, while foreign currency translation negatively impacted sales growth by approximately 2.8%. Excluding the acquisitions and foreign currency translation, sales increased by 4.6% due to the positive impact of higher pricing across key product categories of 3.5% and an increase in volume of 1.1%.
- Positively by 0.1% due to sales growth of 0.1% at Loblaw. Same-store retail sales declined by 0.4% (2010 – 0.3%). Sales in food were flat, sales in drugstore declined moderately, gas bar sales growth was strong, sales in general merchandise, excluding apparel, declined significantly and sales growth in apparel was modest. Loblaw experienced moderate average quarterly internal food price inflation during the second quarter of 2011, which was lower than the average quarterly national food price inflation of 4.0% (2010 – 0.3%) as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI"). In the second quarter of 2010, Loblaw experienced marginal average quarterly internal food price deflation.

Operating Income Operating income in the second quarter of 2011 was $397 million compared to $407 million in the same period in 2010. Operating margin for the second quarter of 2011 was 5.3% compared to 5.4% in the same period in 2010. Adjusted operating income[(1)] in the second quarter of 2011 was $440 million compared to $447 million in the same period in 2010, a decrease of $7 million or 1.6%. The Company's adjusted operating margin[(1)] in the second quarter of 2011 decreased to 5.8% from 6.0% in the same period in 2010.

The Company's second quarter year-over-year change in consolidated adjusted operating income[(1)] was impacted by each of its reportable operating segments as follows:

- Positively by 2.2% due to an increase of 18.2% in adjusted operating income[(1)] at Weston Foods. Adjusted operating income[(1)] was positively impacted by sales growth mainly as a result of higher pricing in key product categories and the bakery acquisitions, and by the benefits realized from productivity improvements and other cost reduction initiatives, which were partially offset by the impact of higher input and fuel costs and increased promotional spending. Weston Foods adjusted operating income[(1)] excludes a commodity derivatives fair value adjustment, the impact of share-based compensation net of equity derivatives and restructuring and other charges. See the "Non-GAAP Financial Measures" section of this MD&A for more information on the Company's non-GAAP financial measures.
- Negatively by 3.8% due to an decrease of 4.3% in adjusted operating income[(1)] at Loblaw. Adjusted operating income[(1)] was negatively impacted by the incremental costs related to the investment in information technology and supply chain and the continued investment in the growth of Loblaw's Financial Services segment. Adjusted operating income[(1)] was positively impacted by improved control label profitability, continued labour and other operating cost efficiencies and improved shrink, partially offset by increases in promotional pricing programs and transportation costs compared to the same period in 2010. Loblaw adjusted operating income[(1)] excludes the impact of share-based compensation net of equity derivatives, the effect of certain prior years' commodity tax matters and other charges. See the "Non-GAAP Financial Measures" section of this MD&A for more information on the Company's non-GAAP financial measures.

(1) See non-GAAP financial measures on page 20.

The Company's adjusted EBITDA margin[1] increased to 8.1% from 8.0% in the same period in 2010. The margin was positively impacted by Weston Foods when compared to the same period in 2010.

Year-to-date operating income for 2011 was $700 million compared to $707 million in 2010. Year-to-date operating margin for 2011 and 2010 was 4.8%. Adjusted operating income[1] for the first half of 2011 was $820 million compared to $792 million in the same period in 2010, an increase of $28 million or 3.5%. The Company's adjusted operating margin[1] for the first half of 2011 increased to 5.6% from 5.4% in 2010.

The Company's year-to-date year-over-year change in consolidated adjusted operating income[1] was impacted by each of its reportable operating segments as follows:

- Positively by 2.5% due to an increase of 19.6% in adjusted operating income[1] at Weston Foods. Adjusted operating income[1] was positively impacted by sales growth mainly as a result of higher pricing in key product categories and the bakery acquisitions, and by the benefits realized from productivity improvements and other cost reduction initiatives, which were partially offset by the impact of higher input and fuel costs and increased promotional spending. Weston Foods adjusted operating income[1] excludes a commodity derivatives fair value adjustment, the impact of share-based compensation net of equity derivatives and restructuring and other charges. See the "Non-GAAP Financial Measures" section of this MD&A for more information on the Company's non-GAAP financial measures.
- Positively by 1.0% due to an increase of 1.2% in adjusted operating income[1] at Loblaw. Adjusted operating income[1] was positively impacted by continued labour and other operating cost efficiencies, improved control label profitability, improved shrink and a stronger Canadian dollar, partially offset by increases in promotional pricing programs and transportation costs and the timing of vendor programs compared to 2010. Adjusted operating income[1] was negatively impacted by the incremental costs related to the investment in information technology and supply chain and the continued investment in the growth of Loblaw's Financial Services segment. Loblaw adjusted operating income[1] excludes the impact of share-based compensation net of equity derivatives, the effect of certain prior years' commodity tax matters and other charges. See the "Non-GAAP Financial Measures" section of this MD&A for more information on the Company's non-GAAP financial measures.

The Company's adjusted EBITDA margin[1] increased to 7.9% from 7.5% in the same period in 2010. The margin was positively impacted by both Weston Foods and Loblaw when compared to 2010.

Net Interest Expense and Other Financing Charges

Net interest expense and other financing charges in the second quarter of 2011 decreased by $17 million to $98 million compared to the same period in 2010, primarily due to a $14 million decrease in the non-cash charge related to the fair value adjustment of WHL's forward sale agreement for 9.6 million Loblaw common shares.

Excluding the impact of the fair value adjustment, net interest expense and other financing charges in the second quarter of 2011 decreased by $3 million compared to the same period in 2010, primarily due to an increase in interest income.

Year-to-date interest expense and other financing charges decreased by $94 million to $164 million compared to 2010, primarily due to a $75 million decrease in the non-cash charge related to the fair value adjustment of WHL's forward sale agreement for 9.6 million Loblaw common shares.

Excluding the impact of the fair value adjustment, year-to-date net interest expense and other financing charges decreased by $19 million due to the decrease in long term debt in the first quarter of 2011 and an increase in net interest income on financial derivative instruments.

(1) See non-GAAP financial measures on page 20.

Income Taxes

The effective income tax rate decreased to 23.1% in the second quarter of 2011 compared to 33.2% in the same period in 2010 and decreased on a year-to-date basis to 26.3% in 2011 compared to 37.2% in 2010. The decreases in the effective income tax rates in the second quarter of 2011 and year-to-date compared to the same periods in 2010 were due to decreases in income tax expense related to certain prior year income tax matters, reductions in the Federal and Ontario Statutory income tax rates and decreases in non-deductible foreign currency translation losses in the second quarter of 2011 and year-to-date compared to the same periods in 2010. The effective income tax rates for the second quarter of 2011 and year-to-date were also impacted by the utilization of realized foreign currency losses recorded in the second quarter of 2011.

Net Earnings Attributable to Shareholders of the Company

Net earnings attributable to shareholders of the Company for the second quarter of 2011 were $157 million (2010 – $128 million) and basic net earnings per common share were $1.13 (2010 – $0.91). Year-to-date net earnings attributable to shareholders of the Company were $262 million (2010 – $165 million) and basic net earnings per common share were $1.87 (2010 – $1.12).

Adjusted basic net earnings per common share[1] in the second quarter of 2011 increased to $1.34 compared to $1.17 in the same period in 2010. Year-to-date adjusted basic net earnings per common share[1] increased to $2.41 compared to $1.91 in 2010. Adjusted basic net earnings per common share[1] for the second quarter of 2011 and year-to-date were positively impacted by decreases in both net interest expense and other financing charges and income tax expense. Year-to-date adjusted basic net earnings per common share[1] was also positively impacted by the improvement in the operating performance of the Company's two operating segments, Weston Foods and Loblaw.

GWL's ownership of Loblaw was 62.8% at the end of the second quarter of 2011 and 62.9% at year end 2010 compared to 62.6% at the end of the second quarter of 2010 and 62.5% at year end 2009.

REPORTABLE OPERATING SEGMENTS

Weston Foods

(unaudited)	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 18, 2011**	Jun. 19, 2010	**Jun. 18, 2011**	Jun. 19, 2010
Sales	**$ 407**	$ 359	**$ 817**	$ 744
Operating income	**$ 55**	$ 70	**$ 74**	$ 112
Operating margin	**13.5%**	19.5%	**9.1%**	15.1%
Adjusted operating income[1]	**$ 65**	$ 55	**$ 122**	$ 102
Adjusted operating margin[1]	**16.0%**	15.3%	**14.9%**	13.7%
Adjusted EBITDA[1]	**$ 78**	$ 67	**$ 149**	$ 126
Adjusted EBITDA margin[1]	**19.2%**	18.7%	**18.2%**	16.9%

As previously noted, the Company purchased Keystone, a U.S. manufacturer and supplier of frozen cupcakes, doughnuts and cookies in the third quarter of 2010 and purchased ACE, a Canadian manufacturer and supplier of artisan and European-style rustic bread varieties, in the fourth quarter of 2010. The results of Keystone and ACE from their respective dates of acquisition were included in Weston Foods results.

(1) See non-GAAP financial measures on page 20.

Sales Weston Foods sales in the second quarter of 2011 increased by 13.4% to $407 million, supported by volume growth of 10.6%, compared to the same period in 2010. The acquisition of Keystone and ACE positively impacted sales growth and volume growth by approximately 11.6% and 9.5%, respectively, while foreign currency translation negatively impacted sales growth by approximately 2.8%. Excluding the acquisitions and foreign currency translation, sales increased by 4.6% due to the positive impact of higher pricing across key product categories of 3.5% and an increase in volume of 1.1%.

On a year-to-date basis, sales of $817 million increased by 9.8%, supported by volume growth of 9.3%, compared to 2010. The acquisition of Keystone and ACE positively impacted sales growth and volume growth by approximately 11.1% and 9.3%, respectively, while foreign currency translation negatively impacted sales growth by approximately 2.8%. Excluding the acquisitions and foreign currency translation, sales increased by 1.5% due to the positive impact of higher pricing across key product categories, while volumes remained flat.

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

Fresh bakery sales increased by approximately 2.4% in the second quarter of 2011 compared to the same period in 2010 due to the positive impact of higher pricing across key product categories partially offset by lower sales volumes. On a year-to-date basis, sales remained flat compared to 2010, with lower sales volumes offset by the positive impact of higher pricing across key product categories. Although overall volumes declined in the second quarter of 2011 and year-to-date, growth was realized in the *D'Italiano* and *Country Harvest* brands. The introduction of new products, such as *Country Harvest* Ancient Grains*, Country Harvest* Raisin Cinnamon with Whole Wheat*, Wonder+ SimplyFree* and *Gadoua MultiGo* Flat Bagels, contributed positively to branded sales in the second quarter of 2011 and year-to-date.

Frozen bakery sales increased by approximately 38.8% in the second quarter of 2011 and 35.8% on a year-to-date basis compared to the same periods in 2010, mainly due to the acquisition of Keystone and ACE. Excluding the effects of these acquisitions, frozen bakery sales increased by approximately 9.5% in the second quarter and 5.7% on a year-to-date basis due to higher sales volumes and higher pricing. In addition, in the second quarter of 2011, sales and volumes were positively impacted by the timing of customer orders related to the Easter holiday when compared to the same period in 2010.

Biscuit sales, principally cookies, crackers, wafers and ice-cream cones, decreased by approximately 0.6% in the second quarter of 2011 and 2.0% on a year-to-date basis, compared to the same periods in 2010, mainly due to lower prices in certain product categories partially offset by higher sales volumes. The increase in volume was driven by higher cookie sales partially offset by lower cone and wafer sales in the second quarter of 2011 and year-to-date compared to the same periods in 2010.

Operating Income Operating income in the second quarter of 2011 was $55 million compared to $70 million in the same period in 2010. Operating margin for the second quarter of 2011 was 13.5% compared to 19.5% in the same period in 2010. Year-to-date operating income was $74 million compared to $112 million in 2010. Year-to-date operating margin was 9.1% compared to 15.1% in 2010.

Adjusted operating income[(1)] increased by $10 million, or 18.2%, to $65 million in the second quarter of 2011 from $55 million in the same period in 2010. Adjusted operating margin[(1)] was 16.0% compared to 15.3% in the same period in 2010. On a year-to-date basis, adjusted operating income[(1)] increased by $20 million, or 19.6% to $122 million in 2011 from $102 million in 2010. Adjusted operating margin[(1)] on a year-to-date basis was 14.9% compared to 13.7% in 2010.

Adjusted operating income[(1)] in both the second quarter of 2011 and year-to-date was positively impacted by sales growth mainly as a result of higher pricing in key product categories and the bakery acquisitions, and by the benefits realized from productivity improvements and other cost reduction initiatives, which were partially offset by the impact of higher input and fuel costs and increased promotional spending. Weston Foods adjusted

(1) See non-GAAP financial measures on page 20.

operating income[1] excludes a commodity derivatives fair value adjustment, the impact of share-based compensation net of equity derivatives and restructuring and other charges. See the "Non-GAAP Financial Measures" section of this MD&A for more information on the Company's non-GAAP financial measures.

Gross margin, excluding the impact of the commodity derivatives fair value adjustment, increased in the second quarter of 2011 and year-to-date compared to the same periods in 2010. The commodity derivatives fair value adjustment is described in the "Non-GAAP Financial Measures" section of this MD&A.

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. There were no restructuring charges recorded in the second quarters of 2011 or 2010. Year-to-date, a charge of $6 million (2010 – $9 million) was recorded in operating income related to restructuring activities. The 2011 year-to-date charge, recorded in the first quarter of 2011, related to the ratification of a new collective agreement in conjunction with the acquisition of Colonial Cookies, a biscuit manufacturer in Ontario.

Adjusted EBITDA[1] increased by $11 million to $78 million in the second quarter of 2011 from $67 million in the same period in 2010. Adjusted EBITDA margin[1] increased in the second quarter of 2011 to 19.2% from 18.7% in the same period in 2010. On a year-to-date basis, adjusted EBITDA[1] increased by $23 million to $149 million in 2011 from $126 million in 2010. Adjusted EBITDA margin[1] increased to 18.2% in 2011 from 16.9% in 2010.

Loblaw

(unaudited)	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 18, 2011**	Jun. 19, 2010	**Jun. 18, 2011**	Jun. 19, 2010
Sales	**$ 7,278**	$ 7,269	**$ 14,150**	$ 14,182
Operating income	**$ 343**	$ 343	**$ 644**	$ 630
Operating margin	**4.7%**	4.7%	**4.6%**	4.4%
Adjusted operating income[1]	**$ 375**	$ 392	**$ 698**	$ 690
Adjusted operating margin[1]	**5.2%**	5.4%	**4.9%**	4.9%
Adjusted EBITDA[1]	**$ 534**	$ 534	**$ 1,009**	$ 974
Adjusted EBITDA margin[1]	**7.3%**	7.3%	**7.1%**	6.9%

Loblaw has two reportable operating segments: retail and financial services. Loblaw is one reportable operating segment of GWL.

Sales Sales in the second quarter of 2011 increased by 0.1% to $7,278 million compared to the same period in 2010. The following factors explain the major components that influenced sales in the second quarter of 2011 compared to the same period in 2010:

- same-store retail sales declined by 0.4% (2010 – 0.3%);
- sales in food were flat;
- sales in drugstore declined moderately, negatively impacted by deflation due to 2010 generic prescription drug regulation changes in Ontario and other provinces, the continued impact of new generic versions of certain prescription drugs and further regulatory changes enacted in the second quarter of 2011 in Ontario;
- gas bar sales growth was strong as a result of higher retail gas prices and moderate volume growth;
- sales in general merchandise, excluding apparel, declined significantly due to continued reductions in square footage and optimization of range and assortment of products;
- increased apparel square footage led to a modest increase in sales; and

(1) See non-GAAP financial measures on page 20.

- Loblaw experienced moderate average quarterly internal food price inflation during the second quarter of 2011, which was lower than the average quarterly national food price inflation of 4.0% (2010 – 0.3%) as measured by CPI. In the second quarter of 2010, Loblaw experienced marginal average quarterly internal food price deflation. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores.

On a year-to-date basis, sales declined by 0.2% to $14,150 million compared to $14,182 million in 2010 driven primarily by the factors noted above and a decrease in Loblaw's Financial Services segment revenue. Same store sales declined by 0.3% (2010 – increased by 0.1%) on a year-to-date basis. The decrease in Loblaw's Financial Services segment revenue was primarily driven by increased customer payment rates resulting from both changing customer behaviours and more stringent credit risk management policies implemented in 2009. Although these practices resulted in lower revenue, they favourably impacted the annualized credit loss rate as planned.

Operating Income Operating income and operating margin in the second quarter of 2011 were flat at $343 million and 4.7%, respectively, compared to the same period in 2010. Loblaw's retail operating income improved and was offset by significant marketing investments and customer acquisition costs, consistent with Loblaw's continued investment in the growth of its Financial Services segment.

Adjusted operating income(1) decreased by 4.3% to $375 million in the second quarter of 2011 compared to $392 million in the same period in 2010. Adjusted operating margin(1) was 5.2% compared to 5.4% in the same period in 2010.

Gross profit, generated by Loblaw's retail segment, increased by $25 million to $1,626 million in the second quarter of 2011 compared to $1,601 million in the same period in 2010. Gross profit as a percentage of retail sales was 22.7% in the second quarter of 2011 compared to 22.4% in the same period in 2010. Year-to-date gross profit increased by $37 million to $3,180 million compared to $3,143 million in 2010. Year-to-date gross profit as a percentage of retail sales was 22.9% compared to 22.6% in 2010. The increase in gross profit in the second quarter of 2011 was mainly attributable to improved control label profitability, the shift of pharmaceutical professional allowances from selling, general and administrative expenses to gross profit and improved shrink, partially offset by increases in promotional pricing programs and transportation costs. In addition to the factors described above, year-to-date gross profit was also positively impacted by a stronger Canadian dollar, partially offset by the timing of vendor programs.

Adjusted operating income(1) was negatively impacted by the incremental costs related to the investment in information technology and supply chain of $22 million, including incremental depreciation and amortization of $12 million, and the continued investment in the growth of Loblaw's Financial Services segment. Adjusted operating income(1) was positively impacted by continued labour and other operating cost efficiencies and improved gross profit, as described above, compared to the same period in 2010. Loblaw adjusted operating income(1) excludes the impact of share-based compensation net of equity derivatives, the effect of certain prior years' commodity tax matters and other charges. See the "Non-GAAP Financial Measures" section of this MD&A for more information on the Company's non-GAAP financial measures.

Adjusted EBITDA(1) and adjusted EBITDA margin(1) in the second quarter of 2011 were flat at $534 million and 7.3%, respectively, compared to the same period in 2010.

Year-to-date operating income for 2011 was $644 million compared to $630 million in 2010. Year-to-date operating margin for 2011 was 4.6% compared to 4.4% in 2010. Loblaw's retail operating income improved and was partially offset by significant marketing investments and customer acquisition costs, consistent with Loblaw's continued investment in the growth of its Financial Services segment.

(1) See non-GAAP financial measures on page 20.

Year-to-date adjusted operating income[1] increased 1.2% to $698 million in 2011 compared to $690 million in 2010. Adjusted operating margin[1] was 4.9% in both 2011 and 2010.

Year-to-date adjusted operating income[1] for 2011 was positively impacted by continued labour and other operating cost efficiencies, improved gross profit, as described above, and a stronger Canadian dollar compared to 2010. Adjusted operating income[1] was negatively impacted by the incremental costs related to the investment in information technology and supply chain of $49 million, including incremental depreciation and amortization of $24 million, and the continued investment in the growth of Loblaw's Financial Services segment. Loblaw adjusted operating income[1] excludes the impact of share-based compensation net of equity derivatives, the effect of certain prior years' commodity tax matters and other charges. See the "Non-GAAP Financial Measures" section of this MD&A for more information on the Company's non-GAAP financial measures.

On a year-to-date basis, adjusted EBITDA[1] increased by $35 million to $1,009 million in 2011 from $974 million in 2010. Adjusted EBITDA margin[1] increased to 7.1% in 2011 from 6.9% in 2010.

In the second quarter of 2011, a charge of $2 million (2010 – $39 million) was recorded in operating income related to changes in Loblaw's distribution network. Year-to-date, a charge of $31 million (2010 – $44 million) was recorded and included $23 million (2010 – $44 million) related to changes in Loblaw's distribution network and $8 million (2010 – nil) related to an internal re-alignment of Loblaw's business centered around Loblaw's two primary store formats, Discount and Conventional. Included in the second quarter of 2010 and year-to-date charges related to changes in Loblaw's distribution network is $23 million due to an asset impairment.

CONSOLIDATED FINANCIAL CONDITION

Net Debt[1] The Company's net debt[1] as at the end of the second quarter of 2011 was $3,722 million compared to $2,553 million as at year end 2010. The increase was primarily due to a reduction in cash as a result of the payment of the $1.0 billion special one-time common share dividend during the first quarter of 2011, fixed asset purchases and interest paid, partially offset by cash inflows from operating activities.

Financial Ratios The Company's net debt[1] to equity attributable to shareholders of the Company ratio at the end of the second quarter of 2011 was 0.70:1 compared to 0.39:1 at the end of the second quarter of 2010 and 0.49:1 at year end 2010. The increases in this ratio were primarily due to an increase in net debt[1] as discussed in the net debt[1] section above. When compared to the second quarter of 2010, the ratio was also impacted by a decrease in average equity attributable to shareholders of the Company as a result of the $1.0 billion special one-time common share dividend accrued for in the fourth quarter of 2010.

The rolling year net debt[1] to adjusted EBITDA[1] ratio was 1.56 times at the end of the second quarter of 2011 and 1.09 times at year end 2010. The increase in this ratio when compared to year end 2010 was primarily due to the increase in net debt[1] as discussed in the net debt[1] section above. This rolling year ratio was not available at the end of the second quarter of 2010 due to the Company's transition to IFRS.

The interest coverage ratio in the second quarter of 2011 increased to 4.0 times compared to 3.5 times in the second quarter of 2010. On a year-to-date basis, the interest coverage ratio increased to 4.2 times in 2011 compared to 2.7 times in 2010. The increases were primarily due to the decreases in net interest expense and other financing charges which included a non-cash charge of $6 million (2010 – $20 million) and non-cash income of $14 million (2010 – a non-cash charge of $61 million) in the second quarter of 2011 and year-to-date, respectively, related to the fair value adjustment of WHL's forward sale agreement for 9.6 million Loblaw common shares. This fair value adjustment positively impacted the change in the interest coverage ratio by approximately 0.5 times and 1.2 times for the second quarter of 2011 and year-to-date, respectively.

(1) See non-GAAP financial measures on page 20.

The Company's rolling year return on average net assets[1] at the end of the second quarter of 2011 was 12.7% compared to 13.0% at year end 2010. The decrease was due to the increase in average net assets. The Company's rolling year return on average common shareholders' equity attributable to shareholders of the Company was 10.3% at the end of the second quarter of 2011 compared to 8.4% at year end 2010. The increase was due to the increase in net earnings available to common shareholders. These rolling year ratios were not available at the end of the second quarter of 2010 due to the Company's transition to IFRS.

Dividends On July 1, 2011, 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, 2011, preferred share dividends of $0.36 per share for the Series I preferred shares were paid as declared by the Board of Directors.

Subsequent to the end of the second quarter of 2011, 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, 2011, 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, 2011, were also declared.

As a result of the Company's solid operating performance, significant cash balances and ample liquidity to grow the business, GWL paid a special one-time common share dividend of $7.75 per common share during the first quarter of 2011.

At the time dividends are declared, GWL identifies on its website (www.weston.ca) the designation of eligible and ineligible dividends in accordance with the administrative position of the Canada Revenue Agency.

Equity Derivative Contracts As at the end of the second quarter of 2011, Glenhuron Bank Limited, a wholly owned subsidiary of Loblaw, had equity forward contracts to buy 1.5 million (2010 – 1.5 million) Loblaw common shares at an average forward contract price of $56.36 (2010 – $66.73), including $0.14 (2010 – $10.51) per common share of interest expense. As at the end of the second quarter of 2011, the cumulative interest and unrealized market loss of $26 million (2010 – $40 million) was included in trade and other payables.

As at the end of the second quarter of 2011, GWL had equity swaps to buy 1.7 million (2010 – 1.7 million) GWL common shares at an average forward price of $95.42 (2010 – $103.17). As at the end of the second quarter of 2011, the unrealized market loss of $43 million (2010 – $49 million) was recorded in trade and other payables.

During the first quarter of 2011, GWL amended the swap agreements to adjust the forward price of its equity swaps by $7.75 to an average forward price of $95.42 as a result of the special one-time common share dividend of $7.75 per common share declared in the fourth quarter of 2010 and paid in the first quarter of 2011.

LIQUIDITY AND CAPITAL RESOURCES

Major Cash Flow Components

(unaudited)	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 18, 2011**	Jun. 19, 2010	**Jun. 18, 2011**	Jun. 19, 2010
Cash flows from operating activities	**$ 540**	$ 745	**$ 534**	$ 834
Cash flows from (used in) investing activities	**$ 201**	$ (55)	**$ 1,108**	$ (385)
Cash flows used in financing activities	**$ (50)**	$ (154)	**$ (1,647)**	$ (398)

(1) See non-GAAP financial measures on page 20.

Cash Flows from Operating Activities Second quarter 2011 cash flows from operating activities were $540 million compared to $745 million in the same period in 2010. On a year-to-date basis, cash flows from operating activities were $534 million compared to $834 million in 2010.

The decreases in the second quarter of 2011 and year-to-date compared to the same periods in 2010 were primarily due to a reduction in non-cash working capital resulting from the stringent vendor management policies related to Loblaw's trade and other payables initiated in 2010. The year-to-date decrease was partially offset by a decrease in income taxes paid.

Cash Flows from (used in) Investing Activities Second quarter 2011 cash flows from investing activities were $201 million compared to cash flows used in investing activities of $55 million in the same period in 2010. On a year-to-date basis, cash flows from investing activities were $1,108 million compared to cash flows used in investing activities of $385 million in 2010.

The increases in cash flows from investing activities in the second quarter of 2011 and year-to-date when compared to the same periods in 2010 were primarily due to increases in cash inflows from short term investments and security deposits and from decreases in Loblaw's franchise receivables.

The presentation of the Company's investments as cash equivalents or short term investments is based on the term to maturity of the investments at the time they are acquired.

Cash Flows used in Financing Activities Second quarter 2011 cash flows used in financing activities were $50 million compared to $154 million in the same period in 2010. On a year-to-date basis, cash flows used in financing activities were $1,647 million compared to $398 million in 2010.

The decrease in the second quarter of 2011 compared to the same period in 2010 was primarily due to the issuance of $133 million of President's Choice Bank's ("PC Bank"), a subsidiary of Loblaw, Guaranteed Investment Certificates ("GICs") in the second quarter of 2011 and the repayment by Loblaw of its $300 million 7.10% Medium Term Notes ("MTN") in the second quarter of 2010, partially offset by the issuance by Loblaw of a $350 million 5.22% MTN in the second quarter of 2010.

The year-to-date increase when compared to 2010 was primarily due to the payment of the $1.0 billion special one-time common share dividend in the first quarter of 2011. The increase was also impacted by the repayment of $500 million of *Eagle Credit Card Trust* ("Eagle") Series 2006-I Notes, the repayment by Loblaw of its $350 million 6.50% MTN in the first quarter of 2011 and the issuance by Loblaw of a $350 million 5.22% MTN in the second quarter of 2010, partially offset by the repayment by Loblaw of its $300 million 7.10% MTN in the second quarter of 2010, the increase in short term debt primarily as a result of the issuance of $370 million of securitized credit card receivables in the first quarter of 2011 and the repurchase of $90 million of securitized credit card receivables in the first quarter of 2010. Year-to-date, PC Bank issued $179 million (2010 – nil) in GICs, which positively impacted cash flows from financing activities.

Post-Employment Defined Benefit Pension Plan Contributions As at the end of the second quarter of 2011, the Company contributed $37 million (2010 – $23 million) and on a year-to-date basis, contributed $66 million (2010 – $54 million) to its registered funded defined benefit pension plans. The Company expects to contribute approximately $54 million to these plans during the remainder of 2011. The actual amount paid may vary from the estimate based on actuarial valuations being completed, market performance and regulatory requirements.

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 government treasury bills, corporate commercial paper, banker's acceptances and bank term deposits.

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.

On May 25, 2011, GWL filed a Short Form Base Shelf Prospectus allowing for the issuance of up to $1.5 billion in unsecured debentures and/or preferred shares over the next 25 months. On June 15, 2011, GWL filed a Prospectus Supplement to this Base Shelf Prospectus creating a MTN program pursuant to which it may issue unsecured debentures up to $1.0 billion. GWL did not issue any instruments under this Prospectus during the second quarter of 2011. The Company (excluding Loblaw) does not foresee any impediments in obtaining financing to satisfy its long term obligations.

Loblaw expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against its committed credit facility will enable Loblaw to finance its capital investment program and fund its ongoing business requirements, including working capital, pension plan funding and financial obligations over the next 12 months. 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. In addition, given reasonable access to capital markets, Loblaw does not foresee any impediments in obtaining financing to satisfy its long term obligations.

Loblaw's $800 million committed credit facility, which expires in March, 2013, contains certain financial covenants with which Loblaw was in compliance as at the end of the second quarter of 2011. In addition to cash and short term investments, this facility is the primary source of liquidity for Loblaw and permits borrowings having up to a 180-day term that accrue interest based on short term floating interest rates. As at the end of the second quarters of 2011 and 2010, Loblaw had not drawn on its committed credit facility.

PC Bank participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. PC Bank purchases receivables from and sells receivables to the independent credit card trusts from time to time depending on PC Bank's financing requirements. PC Bank also obtains short term and long term financing through its GIC program.

In addition to PC Bank's securitized receivables, the independent credit card trusts' recourse is limited to standby letters of credit arranged by Loblaw as at the end of the second quarter of 2011 of $81 million (2010 – $103 million) based on a portion of the securitized amount.

During the second quarter of 2011 and year-to-date, PC Bank sold $133 million (2010 – nil) and $179 million (2010 – nil) in GICs through independent brokers, respectively.

The credit ratings of GWL and Loblaw, as disclosed in the Company's 2010 Annual Report, did not change in the second quarter of 2011. During the second quarter of 2011, Standard and Poor's reaffirmed its credit ratings and outlook for both GWL and Loblaw.

Independent Funding Trusts During the second quarter of 2011, the $475 million revolving committed credit facility that is the source of funding to the independent funding trusts was renewed and extended for a 3 year period. As a result of the renewal, Loblaw's credit enhancement was reduced from 15% to 10%. Other terms and conditions remain substantially the same.

Normal Course Issuer Bid During the second quarter of 2011, GWL and Loblaw renewed their Normal Course Issuer Bid ("NCIB") programs to purchase on the Toronto Stock Exchange ("TSX") or enter into equity derivatives to purchase up to 5% of their common shares outstanding. In accordance with the requirements of the TSX, any purchases must be at the then market prices of such shares. During the second quarter of 2011, Loblaw purchased for cancellation 80,000 (2010 – nil) of its common shares at an average market price of $40.92 (2010 – nil) including commissions. GWL did not purchase any shares under its NCIB program in the second quarter of 2011.

QUARTERLY RESULTS OF OPERATIONS

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 condensed consolidated financial statements for each of the eight most recently completed quarters. This information was prepared in accordance with IFRS except for the 2009 quarterly financial information which was prepared in accordance with CGAAP as indicated in the table below.

Quarterly Financial Information (Unaudited)

($ millions except where otherwise indicated)	Second Quarter		First Quarter		Fourth Quarter		Third Quarter	
	2011	2010	2011	2010	2010	2009 (CGAAP)	2010	2009 (CGAAP)
Sales	**$ 7,531**	$ 7,482	$ 7,148	$ 7,164	$ 7,375	$ 7,537	$ 9,826	$ 9,777
Net earnings attributable to shareholders of the Company[1]	**$ 157**	$ 128	$ 105	$ 37	$ 111	$ 82	$ 176	$ 86
Net earnings per common share ($)								
Basic[2]	**$ 1.13**	$ 0.91	$ 0.74	$ 0.21	$ 0.78	$ 0.56	$ 1.26	$ 0.56
Diluted[2]	**$ 1.08**	$ 0.85	$ 0.71	$ 0.14	$ 0.70	$ 0.55	$ 1.21	$ 0.56

(1) Net earnings attributable to shareholders of the Company includes net earnings from discontinued operations of $15 million and $3 million for the third and fourth quarters of 2009, respectively.

(2) Net earnings per common share includes net earnings per common share from discontinued operations of $0.12 and $0.03 for the third and fourth quarters of 2009, respectively.

Consolidated quarterly sales for the last eight quarters were impacted by the following significant items: the acquisition of ACE by Weston Foods in the fourth quarter of 2010, the acquisition of Keystone by Weston Foods in the third quarter of 2010, the acquisition of T&T by Loblaw in the third quarter of 2009, foreign currency exchange rates, seasonality and the timing of holidays.

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

- restructuring and other charges incurred by Weston Foods and Loblaw;
- the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin Holdings GmbH ("Dunedin"), a subsidiary of GWL, and certain of its affiliates;
- a commodity derivatives fair value adjustment at Weston Foods;
- fluctuations in share-based compensation net of equity derivatives of both GWL and Loblaw;
- accounting for WHL's forward sale agreement of 9.6 million Loblaw common shares;
- the effect of certain prior years' commodity tax matters at Loblaw recorded in the second quarter of 2011;
- the effect of changes in federal tax legislation that resulted in the elimination of the Company's ability to deduct costs associated with cash-settled stock options recorded in the fourth quarter of 2010;
- a loss on the redemption of the GWL 12.7% Promissory Notes in the third quarter of 2009;
- the reversal of a 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;
- incremental costs related to Loblaw's investment in information technology and supply chain; and
- seasonality and the timing of holidays.

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 reports for external purposes in accordance with IFRS.

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.

There were no changes in the Company's internal control over financial reporting during the second quarter of 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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 beginning on page 37 of the 2010 annual MD&A as well as note 28 to the audited annual consolidated financial statements, included in the Company's 2010 Annual Report. The following is an update to those enterprise risks and risk management strategies:

ENTERPRISE RESOURCE PLANNING ("ERP") AND OTHER SYSTEMS IMPLEMENTATION

Loblaw continues to undertake a major upgrade of its information technology infrastructure.

In 2010, Loblaw began to deploy its new ERP system. This project, along with other systems implementations planned for 2011 and beyond, is one of the largest technology infrastructure programs ever implemented by Loblaw and is fundamental to its long term growth strategies. During the first quarter of 2011, Loblaw combined and streamlined its ERP system and other significant system implementations. During and subsequent to the end of the second quarter of 2011, Loblaw rolled out the next waves of its ERP system implementation to its merchandising organization which included a number of critical operating enhancements and expanded operating functionality. Loblaw now has approximately one third of its categories live on the new systems. Completing the ERP system deployment will require continued focus and significant investment. 2011 will continue to be a critical year for the ERP system implementation as Loblaw remains focused on the roll-out to the remainder of its merchandising organization and ensuring the integrity of converted data. The failure to successfully migrate from legacy systems to the ERP system could negatively affect the Company's reputation, operations and its revenues and financial performance. Failure or disruption in Loblaw's information technology systems during the implementation of the ERP system or other new systems may result in a lack of relevant and reliable information to enable management to effectively achieve its strategic plan or manage the day-to-day operations of the business, causing significant disruptions to the business and potential financial losses. In addition, the failure to implement appropriate processes to support the ERP system may result in inefficiencies and duplication in current processes.

Change Management In the first quarter of 2011, Loblaw introduced a new organizational structure centered around Loblaw's two primary store formats, Discount and Conventional. In addition, on August 2, 2011, the newly appointed President will join Loblaw. Failure to properly execute the various initiatives and manage through change may increase the risk of customer dissatisfaction, which in turn could adversely affect the reputation, operations and financial performance of the Company. The failure to properly integrate several large, complex initiatives in a timely manner will adversely impact the operations of the Company. If employees are not able to develop and perform new roles, processes and disciplines, Loblaw may not always achieve the expected cost savings and other benefits of its initiatives.

Tax and Regulatory The Company is subject to tax audits from various government and regulatory agencies on an on-going basis. As a result, from time to time, taxing authorities may disagree with the positions and conclusions taken by the Company in its tax filings or change legislation, which could lead to reassessments. These reassessments may have a material impact on the Company's financial statements in future periods. During the second quarter of 2011, Loblaw was advised that it will be reassessed an amount for certain prior years' commodity tax matters and also received a proposed reassessment from the Quebec Revenue Agency regarding Loblaw's entitlement to certain previously claimed commodity tax credits. Subsequent to the end of the second quarter of 2011, Loblaw received an update to the proposed reassessment from the Quebec Revenue Agency. While Loblaw is in the process of reviewing this updated reassessment, it does not expect the final reassessment to result in a material impact to the Company's financial statements in future periods.

In 2010 and 2011, the provincial governments of Quebec, Ontario, Alberta, Saskatchewan, Nova Scotia and British Columbia introduced amendments to the regulation of generic prescription drug prices paid by provincial governments pursuant to public drug benefit plans. Under these amendments, costs of generic drugs paid by the provincial drug plans are being reduced, and in Ontario, the current system of drug manufacturers paying professional allowances to pharmacies will be eliminated. The amendments also reduce the costs of generic drugs purchased out-of-pocket or through private employer drug plans. Loblaw continues to identify opportunities to mitigate the impact of these amendments, including the introduction of programs to add new services and enhance existing services to attract customers. The amendments could have a material impact on the financial results of the Company if Loblaw is not able to effectively mitigate their negative impact.

TRANSITION TO IFRS

The Company's unaudited interim period condensed consolidated financial statements were prepared in accordance with IFRS and IAS 34, Interim Financial Reporting, including comparative figures.

Reconciliations prepared in accordance with IFRS 1, "First-Time Adoption of International Financial Reporting Standards" are provided in note 16 to the unaudited interim period condensed consolidated financial statements. IFRS 1 reconciliations for the first quarter of 2011 and the opening IFRS balance sheet are included in note 16 of the Company's first quarter 2011 unaudited interim period condensed consolidated financial statements.

FUTURE ACCOUNTING STANDARDS

Consolidated Financial Statements On May 12, 2011, the International Accounting Standards Board ("IASB") issued IFRS 10, "Consolidated Financial Statements" ("IFRS 10"). This IFRS replaces portions of IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27") that addresses consolidation, and supersedes Standing Interpretations Committee ("SIC") Interpretation 12, "Consolidation – Special Purpose Entities" in its entirety. The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IAS 27 has been amended for the issuance of IFRS 10 and retains guidance only for separate financial statements.

Joint Arrangements On May 12, 2011, the IASB issued IFRS 11, "Joint Ventures" ("IFRS 11"). IFRS 11 supersedes IAS 31, "Interest in Joint Ventures" and SIC-13, "Jointly Controlled Entities – Non Monetary Contributions by Venturers". Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements that are controlled jointly.

As a result of the issuance of IFRS 10 and IFRS 11, IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28") has been amended to correspond to the guidance provided in IFRS 10 and IFRS 11.

Disclosure of Interests in Other Entities On May 12, 2011, the IASB issued IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"). This IFRS requires extensive disclosures relating to a company's interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. IFRS 12 enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance.

IFRS 10, 11 and 12, and the amendments to IAS 27 and 28 are all effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted, so long as IFRS 10, 11 and 12, and the amendments to IAS 27 and 28 are adopted at the same time. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without early adopting IFRS 12. The Company is currently assessing the impact of the new standards and amendments on its consolidated financial statements.

Fair Value Measurement On May 12, 2011, the IASB issued IFRS 13, "Fair Value Measurement", which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. This standard is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

Employee Benefits On June 16, 2011, the IASB revised IAS 19, "Employee Benefits". The revisions include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and introduction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

Presentation of Financial Statements On June 16, 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements". The amendments enhance the presentation of Other Comprehensive Income ("OCI") in the financial statements, primarily by requiring the components of OCI to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity. The amendments are effective for annual periods beginning on or after July 1, 2012. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

Financial Instruments – Disclosures On October 7, 2010, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures", which increase the disclosure requirements for transactions involving transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011 and therefore the Company will apply the amendment in the first quarter of 2012. The Company is currently assessing the impact of the amendment on its financial statement disclosures.

Deferred Tax – Recovery of Underlying Assets On December 20, 2010, the IASB issued amendments to IAS 12, "Income Taxes" ("IAS 12"), that introduce an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The amendment is effective for annual periods beginning on or after January 1, 2012. The Company has elected to account for its investment properties at cost and as such does not expect the implementation of the amendment to have a significant impact on its financial statements.

Financial Instruments The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 in November 2009 is the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities. This standard becomes effective on January 1, 2013. The Company is currently assessing the impact of the new standard on its financial statements.

OUTLOOK(1)

This outlook reflects the underlying operating performance of the Company's operating segments as discussed below.

For the remainder of 2011, Weston Foods expects to continue to deliver sales growth driven primarily from the full year impact of the 2010 bakery acquisitions and satisfactory operating performance despite significant cost pressures and a competitive pricing environment. Weston Foods will maintain its focus on mitigating higher commodity and energy costs through continued cost reduction initiatives and by managing pricing in an effort to achieve full year operating margins in line with those in 2010.

Loblaw remains focused on building out its infrastructure and developing opportunities for growth. Unpredictable and competitively intense market conditions continue to put Loblaw retail sales at risk. For the remainder of the year, Loblaw plans to continue its investment in information technology and supply chain which will negatively impact operating income.

George Weston Limited continues to assess opportunities 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 62.8%-owned public reporting company with shares trading on the Toronto Stock Exchange. For information regarding Loblaw, readers should also refer to the materials filed by Loblaw with the Canadian securities regulatory authorities from time to time.

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

NON-GAAP FINANCIAL MEASURES

The Company uses the following non-GAAP financial measures: adjusted operating income and adjusted operating margin, adjusted EBITDA and adjusted EBITDA margin, adjusted basic net earnings per common share, net debt, rolling year net debt to adjusted 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 GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies, and they should not be construed as an alternative to other financial measures determined in accordance with GAAP.

Adjusted Operating Income, Adjusted Operating Margin, Adjusted EBITDA and Adjusted EBITDA Margin

The following tables reconcile adjusted operating income and adjusted EBITDA to GAAP net earnings attributable to shareholders of the Company reported for the periods ended as indicated. Under GAAP, certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying operating performance. These non-GAAP financial measures exclude the impact of certain items and are used internally when analyzing consolidated and segment underlying operating performance. These non-GAAP financial measures are also helpful in assessing underlying operating performance on a consistent basis. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of the items listed below does not imply that they are non-recurring. Loblaw does not report its results on an adjusted basis, however the Company excludes the impact of the below items, as applicable, when reporting the results of the Loblaw segment.

The Company believes adjusted operating income is useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business. The Company believes adjusted EBITDA is also useful in assessing the underlying operating performance of the Company's ongoing operations and in assessing the Company's ability to generate cash flows to fund its cash requirements, including its capital investment program.

Adjusted operating margin is calculated as adjusted operating income divided by sales. Adjusted EBITDA margin is calculated as adjusted EBITDA divided by sales.

	12 Weeks Ended							
				Jun. 18, 2011				Jun. 19, 2010
($ millions)	**Weston Foods**	**Loblaw**	**Other[1]**	**Consolidated**	Weston Foods	Loblaw	Other[1]	Consolidated
Net earnings attributable to shareholders of the Company				**$ 157**				$ 128
Add impact of the following:								
Non-controlling interests				**73**				67
Income taxes				**69**				97
Net interest expense and other financing charges				**98**				115
Operating income (loss)	**$ 55**	**$ 343**	**$ (1)**	**$ 397**	$ 70	$ 343	$ (6)	$ 407
Add (deduct) impact of the following:								
Restructuring and other charges[2]		**2**		**2**		39		39
Commodity derivatives fair value adjustment at Weston Foods	**12**			**12**	(10)			(10)
Foreign currency translation losses			**1**	**1**			6	6
Share-based compensation net of equity derivatives	**(2)**	**15**		**13**	(5)	10		5
Certain prior years' commodity tax matters at Loblaw		**15**		**15**				
Adjusted operating income	**$ 65**	**$ 375**	**$**	**$ 440**	$ 55	$ 392	$	$ 447
Depreciation and amortization	**13**	**159**		**172**	12	142		154
Adjusted EBITDA	**$ 78**	**$ 534**	**$**	**$ 612**	$ 67	$ 534	$	$ 601

(1) Operating income in the second quarter of 2011 included a loss of $1 million (2010 – $6 million) related to the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates, which are foreign operations that have the same functional currency as that of the Company.

(2) Other charges at Loblaw in the second quarter of 2011 included $2 million (2010 – $39 million) related to changes in Loblaw's distribution network, including a charge of nil (2010 – $23 million) due to an asset impairment.

	24 Weeks Ended							
				Jun. 18, 2011				Jun. 19, 2010
($ millions)	**Weston Foods**	**Loblaw**	**Other[(1)]**	**Consolidated**	Weston Foods	Loblaw	Other[(1)]	Consolidated
Net earnings attributable to shareholders of the Company				**$ 262**				$ 165
Add impact of the following:								
Non-controlling interests				**133**				117
Income taxes				**141**				167
Net interest expense and other financing charges				**164**				258
Operating income (loss)	**$ 74**	**$ 644**	**$ (18)**	**$ 700**	$ 112	$ 630	$ (35)	$ 707
Add (deduct) impact of the following:								
Restructuring and other charges[(2)]	**6**	**31**		**37**	9	44		53
Commodity derivatives fair value adjustment at Weston Foods	**28**			**28**	(10)			(10)
Foreign currency translation losses			**18**	**18**			35	35
Share-based compensation net of equity derivatives	**14**	**8**		**22**	(9)	16		7
Certain prior years' commodity tax matters at Loblaw		**15**		**15**				
Adjusted operating income	**$ 122**	**$ 698**	**$**	**$ 820**	$ 102	$ 690	$	$ 792
Depreciation and amortization	**27**	**311**		**338**	24	284		308
Adjusted EBITDA	**$ 149**	**$ 1,009**	**$**	**$ 1,158**	$ 126	$ 974	$	$ 1,100

(1) Year-to-date operating income included a loss of $18 million (2010 – $35 million) related to the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates, which are foreign operations that have the same functional currency as that of the Company.

(2) Year-to-date other charges at Loblaw included $8 million (2010 – nil) related to an internal re-alignment of Loblaw's business centered around Loblaw's two primary store formats, Discount and Conventional and $23 million (2010 – $44 million) related to changes in Loblaw's distribution network, including a charge of nil (2010 – $23 million) due to an asset impairment.

The year-over-year change in the following items influenced operating income in the second quarter of 2011 and year-to-date:

Restructuring and other charges The Company continuously evaluates strategic and cost reduction initiatives related to its store infrastructure, 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. The second quarter year-over-year decrease in restructuring and other charges was $37 million and was attributable to a decrease in the charges related to changes in Loblaw's distribution network, including a charge of $23 million due to an asset impairment, recorded in the second quarter of 2010. The year-to-date year-over-year decrease in restructuring and other charges was $16 million and was primarily attributable to the charge of $23 million due to an asset impairment related to changes in Loblaw's distribution network recorded in the second quarter of 2010, partially offset by the charge of $8 million recorded in the first quarter of 2011 related to an internal re-alignment of Loblaw's business centered around Loblaw's two primary store formats, Discount and Conventional. The details of restructuring and other charges are included in the "Reportable Operating Segments" section of this MD&A.

Commodity derivatives fair value adjustment at Weston Foods 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. These commodity 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. During the second quarter of 2011 and year-to-date, Weston Foods recorded charges of $12 million (2010 – income of $10 million) and $28 million (2010 – income of $10 million), respectively, 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.

Foreign currency translation losses The impact of foreign currency translation on a portion of the U.S. dollar denominated net assets, primarily cash and short term investments held by Dunedin and certain of its affiliates, which are foreign operations that have the same functional currency as that of the Company, is recorded in operating income. The second quarter and year-to-date year-over-year decreases in foreign currency translation losses were $5 million and $17 million, respectively, and were primarily attributable to a lower appreciation of the Canadian dollar relative to the U.S. dollar in the second quarter of 2011 and year-to-date compared to the same periods in 2010.

Share-based compensation net of equity derivatives The amount of net share-based compensation cost recorded in operating income is mainly dependent upon the level of fluctuations in the market price of GWL and Loblaw common shares. The equity derivatives change in value as the market prices of the respective underlying common shares change and provide a partial offset to fluctuations in share-based compensation expense, including RSU plan expense. The amount of net share-based compensation cost recorded in operating income is mainly dependent upon the level of fluctuations in the market price of the respective underlying common shares, the number of unexercised RSUs and their vesting schedules relative to the number of underlying common shares. The Company manages stock option, RSU plan and equity derivative impacts on a net basis and therefore the impact of stock options is also excluded from operating income when management reviews consolidated and segment operating performance. The second quarter of 2011 and year-to-date year-over-year increases in the share-based compensation net of equity derivatives charge were $8 million and

$15 million, respectively, and were primarily attributable to changes in the market prices of GWL and Loblaw common shares.

Certain prior years' commodity tax matters at Loblaw During the second quarter of 2011 and year-to-date, Loblaw recorded a charge of $15 million related to certain prior years' commodity tax matters.

Adjusted Basic Net Earnings per Common Share
The following table reconciles adjusted basic net earnings per common share to GAAP basic net earnings per common share reported for the periods ended as indicated. Under GAAP, certain expenses and income must be recognized that are not necessarily reflective of the Company's underlying operating performance. This non-GAAP financial measure excludes the impact of certain items and is used internally when analyzing consolidated underlying operating performance. This non-GAAP financial measure is also helpful in assessing underlying operating performance on a consistent basis. From time to time, the Company may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of the items listed below does not imply that they are non-recurring. Loblaw does not report its results on an adjusted basis, however the Company excludes the impact of the below items on the Loblaw segment, as applicable, when reporting the Company's consolidated results.

The Company believes adjusted basic net earnings per common share is useful in assessing the Company's underlying operating performance and in making decisions regarding the ongoing operations of its business.

	12 Weeks Ended		24 Weeks Ended	
($)	**Jun. 18, 2011**	Jun. 19, 2010	**Jun. 18, 2011**	Jun. 19, 2010
Basic net earnings per common share	**$ 1.13**	$ 0.91	**$ 1.87**	$ 1.12
Add (deduct) impact of the following[1]:				
Accounting for WHL's forward sale agreement for 9.6 million Loblaw common shares	**0.04**	0.12	**(0.08)**	0.36
Share-based compensation net of equity derivatives	**0.04**	0.01	**0.14**	0.01
Foreign currency translation losses	**0.01**	0.05	**0.14**	0.27
Commodity derivatives fair value adjustment at Weston Foods	**0.06**	(0.05)	**0.15**	(0.05)
Restructuring and other charges	**0.01**	0.13	**0.14**	0.20
Certain prior years' commodity tax matters at Loblaw	**0.05**		**0.05**	
Adjusted basic net earnings per common share	**$ 1.34**	$ 1.17	**$ 2.41**	$ 1.91

(1) Net of interest, income taxes and non-controlling interests, as applicable.

In addition to the items described in the "Adjusted Operating Income, Adjusted Operating Margin, Adjusted EBITDA and Adjusted EBITDA Margin" section above, the year-over-year change in the following item also influenced basic net earnings per common share in the second quarter of 2011 and year-to-date:

Accounting for WHL's forward sale agreement for 9.6 million Loblaw common shares WHL recognizes a non-cash charge or income, which is included in consolidated net interest expense and other financing charges, representing the fair value adjustment of WHL's forward sale agreement for 9.6 million shares. The fair value adjustment in the forward contract is a non-cash item resulting from fluctuations in the market price of the underlying Loblaw shares that WHL owns. WHL does not record any change in the market price associated with the Loblaw shares it owns. At maturity, if the forward price is greater than the market price, WHL will receive a cash amount equal to the difference. If the forward price is less than the market price, WHL will pay a cash amount equal to the difference. Any cash paid under the forward contract could be offset by the sale of Loblaw shares. The second quarter year-over-year decrease in the charge related to the

accounting for WHL's forward sale agreement for 9.6 million Loblaw common shares was $0.08 per common share and was attributable to the lower increase in the market price of Loblaw common shares in the second quarter of 2011 compared to the same period in 2010. The year-to-date year-over-year decrease in the charge related to the accounting for WHL's forward sale agreement for 9.6 million Loblaw common shares was $0.44 per common share and was attributable to the decrease in the market price of Loblaw common shares in 2011 compared to an increase in 2010.

Net Debt

The Company believes net debt is useful in assessing the amount of financial leverage employed.

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 following table reconciles net debt used in the net debt to adjusted EBITDA and net debt to equity ratios to GAAP measures reported as at the periods ended as indicated.

($ millions)		**Jun. 18, 2011**	Jun. 19, 2010	Dec. 31, 2010
Bank indebtedness		**$ 2**	$ 20	$ 11
Short term debt		**1,260**	1,452	871
Long term debt due within one year		**381**	870	1,202
Long term debt		**6,279**	5,785	6,114
Certain other liabilities		**35**	37	35
Fair value of financial derivatives related to the above		**(367)**	(303)	(352)
		7,590	7,861	7,881
Less:	Cash and cash equivalents	**1,446**	1,528	1,453
	Short term investments	**1,982**	3,491	3,253
	Security deposits	**246**	280	435
	Fair value of financial derivatives related to the above	**194**	182	187
		3,868	5,481	5,328
Net debt		**$ 3,722**	$ 2,380	$ 2,553

Capital securities are excluded from the calculation of net debt.

Net Assets

The Company believes the rolling year return on average net assets ratio is useful in assessing the return on productive assets.

The Company calculates net assets as total assets less cash and cash equivalents, short term investments, security deposits, the fair value of WHL's forward sale agreement for 9.6 million Loblaw common shares and trade and other payables.

The following table reconciles net assets used in the rolling year return on average net assets ratio to GAAP measures reported as at the periods ended as indicated.

($ millions)	**Jun. 18, 2011**	Jun. 19, 2010	Dec. 31, 2010
GAAP total assets	**$ 20,355**	$ 21,014	$ 21,696
Less: Cash and cash equivalents	**1,446**	1,528	1,453
Short term investments	**1,982**	3,491	3,253
Security deposits	**246**	280	435
Fair value of WHL's forward sale agreement for 9.6 million Loblaw common shares	**453**	401	421
Trade and other payables(1)	**3,510**	3,402	3,799
Net assets	**$ 12,718**	$ 11,912	$ 12,335

(1) December 31, 2010 trade and other payables excludes the accrual of $1.0 billion related to the special one-time common share dividend declared in the fourth quarter of 2010 and paid in the first quarter of 2011.

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Condensed Consolidated Statements of Earnings

(unaudited)

(millions of Canadian dollars except where otherwise indicated)	12 Weeks Ended Jun. 18, 2011	12 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 18, 2011	24 Weeks Ended Jun. 19, 2010
Revenue	**$ 7,531**	$ 7,482	**$ 14,679**	$ 14,646
Operating Expenses				
Cost of inventories sold (note 8)	**5,646**	5,619	**10,987**	10,983
Selling, general and administrative expenses (note 15)	**1,488**	1,456	**2,992**	2,956
	7,134	7,075	**13,979**	13,939
Operating Income	**397**	407	**700**	707
Net Interest Expense and Other Financing Charges (note 4)	**98**	115	**164**	258
Earnings Before Income Taxes	**299**	292	**536**	449
Income Taxes (note 5)	**69**	97	**141**	167
Net Earnings	**230**	195	**395**	282
Attributable to:				
Shareholders of the Company	**157**	128	**262**	165
Non-Controlling Interests	**73**	67	**133**	117
Net Earnings	**$ 230**	$ 195	**$ 395**	$ 282
Net Earnings per Common Share ($) (note 6)				
Basic	**$ 1.13**	$ 0.91	**$ 1.87**	$ 1.12
Diluted	**$ 1.08**	$ 0.85	**$ 1.86**	$ 1.00

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

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

(millions of Canadian dollars)	12 Weeks Ended Jun. 18, 2011	12 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 18, 2011	24 Weeks Ended Jun. 19, 2010
Net earnings	**$ 230**	$ 195	**$ 395**	$ 282
Other comprehensive loss				
Foreign currency translation adjustment (note 7)	**(1)**	(2)	**(11)**	(12)
	(1)	(2)	**(11)**	(12)
Net gain (loss) on derivatives designated as cash flow hedges		1		(1)
Reclassification of net loss on derivatives designated as cash flow hedges to net earnings		1		4
		2		3
Net defined benefit plan actuarial losses (note 11)	**(76)**	(60)	**(72)**	(95)
Other comprehensive loss	**(77)**	(60)	**(83)**	(104)
Comprehensive Income	**153**	135	**312**	178
Attributable to:				
Shareholders of the Company	**104**	85	**202**	90
Non-Controlling Interests	**49**	50	**110**	88
Comprehensive Income	**$ 153**	$ 135	**$ 312**	$ 178

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

Condensed Consolidated Statements of Changes in Equity

(unaudited)

(millions of Canadian dollars except where otherwise indicated)	Common Shares	Preferred Shares	**Total Share Capital**	**Contributed Surplus**	**Retained Earnings**	Foreign Currency Translation Adjustment	Cash Flow Hedges	**Total Accumulated Other Comprehensive Loss**	**Non-Controlling Interests**	**Total Equity**
Balance at Dec. 31, 2010	$ 133	$ 817	**$ 950**	**$ (14)**	**$ 4,312**	$ (27)	$ 3	**$ (24)**	**$ 2,080**	**$ 7,304**
Net earnings					**262**				**133**	**395**
Other comprehensive loss[1]					**(49)**	(11)		**(11)**	**(23)**	**(83)**
Comprehensive income (loss)					**213**	(11)		**(11)**	**110**	**312**
Effect of share-based compensation (note 13)	1		**1**	**37**					**15**	**53**
Subsidiary capital transactions (notes 12 & 13)				**2**					**26**	**28**
Dividends declared										
Per common share ($) – $0.72					**(93)**				**(44)**	**(137)**
Per preferred share ($)										
– Series I – $0.73					**(7)**					**(7)**
Series III – $0.65					**(5)**					**(5)**
Series IV – $0.65					**(5)**					**(5)**
Series V – $0.60					**(5)**					**(5)**
	1		**1**	**39**	**(115)**				**(3)**	**(78)**
Balance at Jun. 18, 2011	$ 134	$ 817	**$ 951**	**$ 25**	**$ 4,410**	$ (38)	$ 3	**$ (35)**	**$ 2,187**	**$ 7,538**

(1) Other comprehensive loss includes actuarial losses of $72 million, $49 million of which are presented above in retained earnings and $23 million in non-controlling interests.

(millions of Canadian dollars except where otherwise indicated)	Common Shares	Preferred Shares	**Total Share Capital**	**Contributed Surplus**	**Retained Earnings**	Foreign Currency Translation Adjustment	Cash Flow Hedges	**Total Accumulated Other Comprehensive Income (Loss)**	**Non-Controlling Interests**	**Total Equity**
Balance at Jan. 1, 2010	$ 133	$ 817	**$ 950**		**$ 5,153**		$ 1	**$ 1**	**$ 1,902**	**$ 8,006**
Net earnings					**165**				**117**	**282**
Other comprehensive (loss) income[1]					**(65)**	$ (12)	2	**(10)**	**(29)**	**(104)**
Comprehensive income (loss)					**100**	(12)	2	**(10)**	**88**	**178**
Subsidiary capital transactions (note 12)				**$ (4)**					**11**	**7**
Dividends declared										
Per common share ($) – $0.72					**(93)**				**(44)**	**(137)**
Per preferred share ($)										
– Series I – $0.73					**(7)**					**(7)**
Series III – $0.65					**(5)**					**(5)**
Series IV – $0.65					**(5)**					**(5)**
Series V – $0.60					**(5)**					**(5)**
				(4)	**(115)**				**(33)**	**(152)**
Balance at Jun. 19, 2010	$ 133	$ 817	**$ 950**	**$ (4)**	**$ 5,138**	$ (12)	$ 3	**$ (9)**	**$ 1,957**	**$ 8,032**

(1) Other comprehensive (loss) income includes actuarial losses of $95 million, $65 million of which are presented above in retained earnings and $30 million in non-controlling interests.

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

Condensed Consolidated Balance Sheets

(unaudited)

(millions of Canadian dollars)	As at Jun. 18, 2011	Jun. 19, 2010	Dec. 31, 2010
ASSETS			
Current Assets			
Cash and cash equivalents (note 7)	**$ 1,446**	$ 1,528	$ 1,453
Short term investments (note 7)	**1,982**	3,491	3,253
Accounts receivable	**510**	487	462
Credit card receivables (note 9)	**1,974**	1,883	1,997
Inventories (note 8)	**2,060**	2,014	2,050
Income taxes recoverable	**46**		
Prepaid expenses and other assets	**146**	139	91
Assets held for sale	**66**	83	71
Total Current Assets	**8,230**	9,625	9,377
Fixed Assets	**8,861**	8,251	8,823
Investment Properties	**73**	70	74
Goodwill and Intangible Assets	**1,546**	1,289	1,554
Deferred Income Taxes	**277**	410	311
Security Deposits (note 7)	**246**	280	435
Franchise Loans Receivable	**313**	336	314
Other Assets	**809**	753	808
Total Assets	**$ 20,355**	$ 21,014	$ 21,696
LIABILITIES			
Current Liabilities			
Bank indebtedness	**$ 2**	$ 20	$ 11
Trade and other payables	**3,510**	3,402	4,799
Provisions	**107**	101	92
Income taxes payable		63	12
Short term debt (note 9)	**1,260**	1,452	871
Long term debt due within one year (note 10)	**381**	870	1,202
Total Current Liabilities	**5,260**	5,908	6,987
Provisions	**98**	101	95
Long Term Debt (note 10)	**6,279**	5,785	6,114
Deferred Income Taxes	**157**	126	162
Other Liabilities	**802**	842	813
Capital Securities	**221**	220	221
Total Liabilities	**12,817**	12,982	14,392
EQUITY			
Share Capital (note 13)	**951**	950	950
Contributed Surplus (notes 12 & 13)	**25**	(4)	(14)
Retained Earnings	**4,410**	5,138	4,312
Accumulated Other Comprehensive Loss	**(35)**	(9)	(24)
Total Equity Attributable to Shareholders of the Company	**5,351**	6,075	5,224
Non-Controlling Interests	**2,187**	1,957	2,080
Total Equity	**7,538**	8,032	7,304
Total Liabilities and Equity	**$ 20,355**	$ 21,014	$ 21,696

Contingent liabilities (note 14).

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

Condensed Consolidated Cash Flow Statements

(unaudited)

(millions of Canadian dollars)	12 Weeks Ended Jun. 18, 2011	12 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 18, 2011	24 Weeks Ended Jun. 19, 2010
Operating Activities				
Net earnings	**$ 230**	$ 195	**$ 395**	$ 282
Income taxes (note 5)	**69**	97	**141**	167
Net interest expense and other financing charges (note 4)	**98**	115	**164**	258
Depreciation and amortization	**172**	154	**338**	308
Foreign currency translation losses (note 15)	**1**	6	**18**	35
Income taxes paid	**(66)**	(65)	**(144)**	(179)
Interest received	**29**	16	**46**	28
Fixed assets and other related impairments	**5**	36	**9**	42
Change in non-cash working capital	**(11)**	211	**(440)**	(74)
Other	**13**	(20)	**7**	(33)
Cash Flows from Operating Activities	**540**	745	**534**	834
Investing Activities				
Fixed asset purchases	**(170)**	(188)	**(332)**	(328)
Short term investments	**338**	120	**1,239**	(118)
Proceeds from fixed asset sales	**1**	3	**6**	16
Business acquisitions (note 3)			**(12)**	
Franchise investments and other receivables	**24**	3	**23**	
Security deposits	**1**	(1)	**184**	58
Other	**7**	8		(13)
Cash Flows from (used in) Investing Activities	**201**	(55)	**1,108**	(385)
Financing Activities				
Bank indebtedness	**2**	8	**(9)**	8
Short term debt (note 9)	**9**	8	**389**	(73)
Long term debt – Issued (note 10)	**159**	354	**216**	357
– Retired (note 10)	**(7)**	(305)	**(865)**	(306)
Share capital issued (note 13)	**1**		**1**	
Subsidiary share capital – Issued (notes 12 & 13)	**16**		**19**	
– Retired (note 12)	**(3)**		**(3)**	
Dividends – To common shareholders	**(47)**	(47)	**(1,093)**	(93)
– To preferred shareholders	**(11)**	(11)	**(22)**	(22)
– To minority shareholders	**(14)**	(15)	**(14)**	(15)
Interest paid	**(155)**	(146)	**(266)**	(254)
Cash Flows used in Financing Activities	**(50)**	(154)	**(1,647)**	(398)
Effect of foreign currency exchange rate changes on cash and cash equivalents (note 7)	**1**	(4)	**(2)**	(13)
Change in Cash and Cash Equivalents	**692**	532	**(7)**	38
Cash and Cash Equivalents, Beginning of Period	**754**	996	**1,453**	1,490
Cash and Cash Equivalents, End of Period	**$ 1,446**	$ 1,528	**$ 1,446**	$ 1,528

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

Note 1. Nature and Description of the Reporting Entity

George Weston Limited ("GWL") is a Canadian public company incorporated in 1928, engaged in food processing and distribution. Its registered office is located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S7. GWL and its subsidiaries are together referred to in these unaudited interim period condensed consolidated financial statements as the "Company". The Company's parent is Wittington Investments, Limited.

The Company has two reportable operating segments, Loblaw Companies Limited ("Loblaw") and Weston Foods, and holds cash and short term investments. The Loblaw operating segment is Canada's largest food distributor and a leading provider of drugstore, general merchandise and financial 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.

Note 2. Significant Accounting Policies

Statement of Compliance The unaudited interim period condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). These unaudited interim period condensed consolidated financial statements should be read in conjunction with the Company's 2010 audited annual consolidated financial statements and the accompanying notes. In addition, for supplemental annual disclosures, see note 17 of the Company's first quarter 2011 unaudited interim period condensed consolidated financial statements. An explanation of how the transition from Canadian generally accepted accounting principles ("CGAAP") to International Financial Reporting Standards ("IFRS") as at January 1, 2010 (the "transition date") has affected the reported financial position, financial performance and cash flows of the Company, including the mandatory exceptions and optional exemptions under IFRS 1, "First-Time Adoption of IFRS" ("IFRS 1") is provided in the Company's first quarter 2011 unaudited interim period condensed consolidated financial statements and in note 16.

These unaudited interim period condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on July 28, 2011.

Basis of Preparation The unaudited interim period condensed consolidated financial statements were prepared on a historical cost basis, except for certain financial instruments carried at fair value. Liabilities for cash-settled share-based compensation arrangements are measured at fair value (see note 13) and defined benefit plan assets are also recorded at fair value with the obligations related to these pension plans measured at their discounted present value.

The significant accounting policies as disclosed in the Company's first quarter 2011 unaudited interim period condensed consolidated financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements.

The unaudited interim period condensed consolidated financial statements are presented in Canadian dollars.

Basis of Consolidation The unaudited interim period condensed consolidated financial statements include the accounts of GWL and other entities that the Company controls in accordance with IAS 27, "Consolidated and Separate Financial Statements" ("IAS 27"). The Company's interest in the voting share capital of its subsidiaries is 100% except for Loblaw, which is 62.8% (June 19, 2010 – 62.6%; December 31, 2010 – 62.9%). The change in GWL's ownership was impacted by the Company's participation in the Loblaw Dividend Reinvestment Plan ("DRIP"). GWL's ownership was also impacted in the first half of 2011 by Loblaw's issuance of common shares on the exercise of stock options and Loblaw's purchase of its common shares pursuant to its Normal Course Issuer Bid program.

Special Purpose Entities ("SPE") are consolidated under Standing Interpretations Committee ("SIC") Interpretation 12 "Consolidation – Special Purpose Entities", ("SIC-12"), if, based on an evaluation of the substance of its relationship with the Company and the SPE's risks and rewards, the Company concludes that it controls the SPE. SPEs controlled by the Company were established under terms that impose strict limitations on the decision-making powers of the SPE's management and that results in the Company receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to the majority of risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

Non-controlling interests are recorded in the unaudited interim period condensed consolidated financial statements and represent the non-controlling shareholders' portion of the net assets and net earnings of Loblaw. Transactions with non-controlling interests are treated as transactions with equity owners of the Company. Changes in GWL's ownership interest in its subsidiaries that do not result in a loss of control are accounted for as equity transactions.

Critical Accounting Estimates and Assumptions The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the unaudited interim period condensed consolidated financial statements and accompanying notes. Management continually evaluates the estimates and assumptions it uses. These estimates and assumptions are based on management's historical experience, best knowledge of current events and conditions and activities that the Company may undertake in the future.

Material estimates and assumptions are made with respect to establishing depreciation and amortization periods, the valuation of credit card receivables and inventories, impairment of fixed assets, goodwill and intangible assets, income and other taxes, and parameters used in the measurement of post-employment and other long term employee benefits. These estimations depend upon subjective or complex judgments about matters that may be uncertain, and changes in those estimates could materially impact the unaudited interim period condensed consolidated financial statements. Illiquid credit markets, volatile equity, foreign currency and energy markets and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Future Accounting Standards

Consolidated Financial Statements On May 12, 2011, the IASB issued IFRS 10, "Consolidated Financial Statements" ("IFRS 10"). This IFRS replaces portions of IAS 27 that addresses consolidation, and supersedes SIC-12 in its entirety. The objective of IFRS 10 is to define the principles of control and establish the basis of determining when and how an entity should be included within a set of consolidated financial statements. IAS 27 has been amended for the issuance of IFRS 10 and retains guidance only for separate financial statements.

Joint Arrangements On May 12, 2011, the IASB issued IFRS 11, "Joint Ventures" ("IFRS 11"). IFRS 11 supersedes IAS 31, "Interest in Joint Ventures" and SIC-13, "Jointly Controlled Entities – Non Monetary Contributions by Venturers". Through an assessment of the rights and obligations in an arrangement, IFRS 11 establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements that are controlled jointly.

As a result of the issuance of IFRS 10 and IFRS 11, IAS 28, "Investments in Associates and Joint Ventures" ("IAS 28") has been amended to correspond to the guidance provided in IFRS 10 and IFRS 11.

Disclosure of Interests in Other Entities On May 12, 2011, the IASB issued IFRS 12, "Disclosure of Interests in Other Entities" ("IFRS 12"). This IFRS requires extensive disclosures relating to a company's interests in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. IFRS 12 enables users of the financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position and performance.

IFRS 10, 11 and 12, and the amendments to IAS 27 and 28 are all effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted, so long as IFRS 10, 11 and 12, and the amendments to IAS 27 and 28 are adopted at the same time. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without early adopting IFRS 12. The Company is currently assessing the impact of the new standards and amendments on its consolidated financial statements.

Fair Value Measurement On May 12, 2011, the IASB issued IFRS 13, "Fair Value Measurement", which defines fair value, provides guidance in a single IFRS framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. This standard is effective for annual periods beginning on or after January 1, 2013, and early adoption is permitted. The Company is currently assessing the impact of the new standard on its consolidated financial statements.

Employee Benefits On June 16, 2011, the IASB revised IAS 19, "Employee Benefits" ("IAS 19"). The revisions include the elimination of the option to defer the recognition of gains and losses, enhancing the guidance around measurement of plan assets and defined benefit obligations, streamlining the presentation of changes in assets and liabilities arising from defined benefit plans and introduction of enhanced disclosures for defined benefit plans. The amendments are effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

Presentation of Financial Statements On June 16, 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements". The amendments enhance the presentation of other comprehensive income in the financial statements, primarily by requiring the components of Other Comprehensive Income to be presented separately for items that may be reclassified to the statement of earnings from those that remain in equity. The amendments are effective for annual periods beginning on or after July 1, 2012. The Company is currently assessing the impact of the amendments on its consolidated financial statements.

Financial Instruments – Disclosures On October 7, 2010, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures", which increase the disclosure requirements for transactions involving transfers of financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011 and therefore the Company will apply the amendment in the first quarter of 2012. The Company is currently assessing the impact of the amendment on its financial statement disclosures.

Deferred Tax – Recovery of Underlying Assets On December 20, 2010, the IASB issued amendments to IAS 12, "Income Taxes" ("IAS 12"), that introduce an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The amendment is effective for annual periods beginning on or after January 1, 2012. The Company has elected to account for its investment properties at cost and as such does not expect the implementation of the amendment to have a significant impact on its financial statements.

Financial Instruments The IASB has issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 in November 2009 is the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities. This standard becomes effective on January 1, 2013. The Company is currently assessing the impact of the new standard on its financial statements.

Note 3. Business Acquisitions

During the second quarter of 2011, the Company finalized the purchase price allocation related to the acquisition of a frozen bakery manufacturing facility in Ontario, Canada acquired in the fourth quarter of 2010 which resulted in a nominal increase in goodwill.

Subsequent to the second quarter of 2011, the Company finalized the purchase price allocation related to the acquisition of ACE Bakery Ltd. acquired in the fourth quarter of 2010 which resulted in a reduction of goodwill of $1 million.

During the first quarter of 2011, Weston Foods purchased the assets of Colonial Cookies, a biscuit manufacturer in Ontario, Canada for cash consideration of $12 million. Weston Foods acquired net assets of $12 million.

Note 4. Net Interest Expense and Other Financing Charges

The components of net interest expense and other financing charges were as follows:

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 18, 2011**	Jun. 19, 2010	**Jun. 18, 2011**	Jun. 19, 2010
Interest on long term debt	**$ 86**	$ 85	**$ 169**	$ 173
Interest cost on defined benefit obligations	**25**	24	**50**	50
Interest on borrowings related to credit card receivables	**9**	8	**22**	19
Interest expense on Franchise Trust II loans	**4**	4	**8**	8
Interest expense on financial derivative instruments	**1**	2	**2**	4
Other financing charges[1]	**1**	16		53
Dividends on capital securities	**4**	4	**7**	7
Capitalized interest	**(1)**		**(1)**	
Interest expense and other financing charges	**129**	143	**257**	314
Expected return on pension plan assets	**(22)**	(21)	**(45)**	(43)
Other financing income[1]			**(24)**	
Accretion income	**(5)**	(4)	**(9)**	(8)
Interest income on financial derivative instruments			**(6)**	
Interest income on security deposits		(1)		(1)
Short term interest income	**(4)**	(2)	**(9)**	(4)
Interest income and other financing income	**(31)**	(28)	**(93)**	(56)
Net interest expense and other financing charges	**$ 98**	$ 115	**$ 164**	$ 258

(1) Other financing charges (income) in the second quarter of 2011 and year-to-date includes a non-cash charge of $6 million (2010 – $20 million) and non-cash income of $14 million (2010 – a non-cash charge of $61 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 (income) in the second quarter of 2011 and year-to-date is forward accretion income of $9 million (2010 – $8 million) and $18 million (2010 – $16 million), respectively, and the forward fee of $4 million (2010 – $4 million) and $8 million (2010 – $8 million), respectively, associated with WHL's forward sale agreement.

Note 5. Income Taxes

The effective income tax rate decreased to 23.1% in the second quarter of 2011 compared to 33.2% in the same period in 2010 and decreased on a year-to-date basis to 26.3% in 2011 compared to 37.2% in 2010. The decreases in the effective income tax rates in the second quarter of 2011 and year-to-date compared to the same periods in 2010 were due to decreases in income tax expense related to certain prior year income tax matters, reductions in the Federal and Ontario Statutory income tax rates and decreases in non-deductible foreign currency translation losses in the second quarter of 2011 and year-to-date compared to the same periods in 2010. The effective income tax rates for the second quarter of 2011 and year-to-date were also impacted by the utilization of realized foreign currency losses recorded in the second quarter of 2011.

Note 6. Basic and Diluted Net Earnings per Common Share

	12 Weeks Ended		24 Weeks Ended	
($ millions except where otherwise indicated)	**Jun. 18, 2011**	Jun. 19, 2010	**Jun. 18, 2011**	Jun. 19, 2010
Net earnings attributable to shareholders of the Company	**$ 157**	$ 128	**$ 262**	$ 165
Prescribed dividends on preferred shares in share capital	**(10)**	(10)	**(20)**	(20)
Net earnings available to common shareholders	**$ 147**	$ 118	**$ 242**	$ 145
Impact of GWL equity swaps	**(5)**	(5)		(8)
Reduction in net earnings due to dilution at Loblaw	**(2)**	(3)	**(2)**	(7)
Net earnings available to common shareholders for diluted earnings per share	**$ 140**	$ 110	**$ 240**	$ 130
Weighted average common shares outstanding (in millions)	**129.1**	129.1	**129.1**	129.1
Dilutive effect of share-based compensation[1] (in millions)	**0.1**		**0.1**	
Dilutive effect of GWL equity swaps[1] (in millions)	**0.6**	0.7		0.8
Diluted weighted average common shares outstanding (in millions)	**129.8**	129.8	**129.2**	129.9
Basic net earnings per common share ($)	**$ 1.13**	$ 0.91	**$ 1.87**	$ 1.12
Diluted net earnings per common share ($)	**$ 1.08**	$ 0.85	**$ 1.86**	$ 1.00

(1) In the second quarter of 2011 and year-to-date, 1,386,934 (2010 – 1,448,553) and 3,073,634 (2010 – 1,448,553) outstanding potentially dilutive instruments, respectively, are not included in the computation of diluted net earnings per common share as their impact would have been anti-dilutive.

Note 7. Cash and Cash Equivalents, Short Term Investments and Security Deposits

The components of cash and cash equivalents, short term investments and security deposits were as follows:

Cash and cash equivalents

	As at		
($ millions)	**Jun. 18, 2011**	Jun. 19, 2010	Dec. 31, 2010
Cash	**$ 159**	$ 58	$ 125
Government treasury bills	**178**	273	244
Corporate commercial paper	**272**	217	427
Banker's acceptances	**578**	628	252
Bank term deposits	**122**	110	287
Other	**137**	242	118
Total cash and cash equivalents	**$ 1,446**	$ 1,528	$ 1,453

Short term investments

	As at		
($ millions)	**Jun. 18, 2011**	Jun. 19, 2010	Dec. 31, 2010
Government treasury bills	**$ 961**	$ 1,840	$ 1,659
Corporate commercial paper	**506**	626	1,228
Banker's acceptances	**218**	660	1
Other	**297**	365	365
Total short term investments	**$ 1,982**	$ 3,491	$ 3,253

Security Deposits

	As at		
($ millions)	**Jun. 18, 2011**	Jun. 19, 2010	Dec. 31, 2010
Government treasury bills	**$ 151**	$ 225	$ 296
Banker's acceptances		2	92
Other	**95**	53	47
Total security deposits	**$ 246**	$ 280	$ 435

As at June 18, 2011 – U.S. $2,185 million, June 19, 2010 – U.S. $2,282 million and December 31, 2010 – U.S. $2,151 million (June 18, 2011 – $2,141 million; June 19, 2010 – $2,332 million; December 31, 2010 – $2,147 million) was included in cash and cash equivalents, short term investments and security deposits on the consolidated balance sheets.

The following is a summary of foreign currency translation 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. 18, 2011**	Jun. 19, 2010	**Jun. 18, 2011**	Jun. 19, 2010
Loblaw[1]	**$ 2**	$ 4	**$ 20**	$ 29
The Company (excluding Loblaw)[2]	**1**	6	**20**	39
Consolidated	**$ 3**	$ 10	**$ 40**	$ 68

(1) Includes losses of nil and $2 million (2010 – $1 million and $5 million) related to cash and cash equivalents in the second quarter of 2011 and year-to-date, respectively.

During the second quarter of 2011 and year-to-date, the loss on cash and cash equivalents, short term investments and security deposits was partially offset in operating income by a corresponding foreign currency translation gain on Loblaw's cross currency swaps.

(2) Includes a gain of $1 million and nil (2010 – losses of $3 million and $8 million) related to cash and cash equivalents in the second quarter of 2011 and year-to-date, respectively.

During the second quarter of 2011 and year-to-date, foreign currency translation losses associated with the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and cash equivalents and short term investments held by Dunedin Holdings GmbH ("Dunedin"), a subsidiary of GWL, and certain of its affiliates of $1 million and $18 million (2010 – $6 million and $35 million), respectively, were recognized in operating income (see note 15). The remaining foreign currency translation losses as a result of translating U.S. dollar denominated net assets, including cash and cash equivalents, short term investments and security deposits are recognized in other comprehensive loss.

Note 8. Inventories

The components of inventories were as follows:

	As at		
($ millions)	**Jun. 18, 2011**	Jun. 19, 2010	Dec. 31, 2010
Raw materials and supplies	**$ 43**	$ 34	$ 39
Finished goods	**2,017**	1,980	2,011
Inventories	**$ 2,060**	$ 2,014	$ 2,050

For inventories recorded as at June 18, 2011, Loblaw recorded $22 million (June 19, 2010 – $16 million) as an expense for the write-down of inventories below cost to net realizable value. The write-down is included in cost of inventories sold in the consolidated statements of earnings. There were no reversals of previously recorded write-downs of inventories during the first halves of 2011 and 2010.

Cost of inventories sold includes a charge of $12 million (2010 – income of $10 million) and $28 million (2010 – income of $10 million) in the second quarter of 2011 and year-to-date, respectively, related to a commodity derivatives fair value adjustment at Weston Foods.

Note 9. Short Term Debt

($ millions)	As at Jun. 18, 2011	Jun. 19, 2010	Dec. 31, 2010
Independent credit card trusts	**$ 905**	$ 1,135	$ 535
Series B debentures	**355**	317	336
Short term debt	**$ 1,260**	$ 1,452	$ 871

President's Choice Bank ("PC Bank"), a subsidiary of Loblaw, participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. Under these securitization programs, a portion of the total interest in the credit card receivables is sold to independent trusts pursuant to co-ownership agreements. PC Bank purchases receivables from and sells receivables to the trusts from time to time depending on PC Bank's financing requirements. During the second quarter of 2011, PC Bank securitized nil (2010 – nil) and $370 million (2010 – nil) year-to-date of credit card receivables and repurchased nil (2010 – nil) during the second quarter of 2011 and $500 million (2010 – $90 million) year-to-date of co-ownership interests in the securitized receivables from independent trusts (see note 10). The repurchase was related to the March 17, 2011 maturity of five-year $500 million senior and subordinated notes issued by *Eagle Credit Card Trust* ("Eagle") (see note 10).

Due to the retention of substantially all of the risks and rewards on these assets, Loblaw, through PC Bank, continues to recognize these assets within credit card receivables and the transfers are accounted for as secured financing transactions. The associated liability secured by these assets is included in short term debt and long term debt (see note 10) and is carried at amortized cost.

In addition to PC Bank's securitized receivables, the independent credit card trusts' recourse is limited to standby letters of credit arranged by Loblaw of $81 million (June 19, 2010 – $103 million; December 31, 2010 – $48 million) based on a portion of the securitized amount.

Series B Debentures issued by GWL are due on demand.

Note 10. Long Term Debt

During the second quarter of 2011, the Loblaw $475 million revolving committed credit facility that is the source of funding to the independent trust was renewed and extended for a 3-year period. As a result of the renewal, Loblaw's credit enhancement was reduced from 15% to 10%. Other terms and conditions remain substantially the same.

As at June 18, 2011, PC Bank had sold through independent brokers $197 million (June 19, 2010 – nil; December 31, 2010 – $18 million) of outstanding Guaranteed Investment Certificates, of which $47 million (June 19, 2010 – nil; December 31, 2010 – $5 million) was recorded as long term debt due within one year.

During the first quarter of 2011, Loblaw's $350 million 6.50% Medium Term Notes ("MTN") due January 19, 2011 and the $500 million senior and subordinated notes due March 17, 2011 issued by Eagle matured and were repaid.

As at June 18, 2011 and June 19, 2010, Loblaw had not drawn on the $800 million committed credit facility described in note 17 of the Company's audited annual consolidated financial statements for the year ended December 31, 2010.

During the second quarter of 2010, Loblaw issued $350 million principal amount of unsecured 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. The 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 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.

In 2008, Loblaw entered into fixed cross currency swaps to exchange $296 million Canadian dollars to U.S. $300 million which mature by 2015 and were partially designated as a cash flow hedge of Loblaw's U.S. private placement notes. In the first quarter of 2011, the designated swap was no longer classified as a cash flow hedge and as a result, the fair value changes are recorded in operating income. Amounts remaining in accumulated other comprehensive loss will be reclassified to net earnings as the hedged debt matures. As at June 18, 2011, $294 million (June 19, 2010 – $307 million; December 31, 2010 – $300 million) of U.S. private placement notes were recorded in long term debt.

Note 11. Post-Employment and Other Long Term Employee Benefits

The post-employment benefit cost recognized in net earnings before income taxes was $33 million and $71 million (2010 – $33 million and $68 million) in the second quarter of 2011 and year-to-date, respectively. The post-employment benefit cost included costs for the Company's post-employment defined benefit plans, defined contribution pension plans and multi-employer pension plans. The other long term employee benefit cost recognized in net earnings before income taxes was $2 million and $8 million (2010 – $8 million and $12 million), in the second quarter of 2011 and year-to-date, respectively, which included costs for the Company's long term disability plan. Post-employment and other long term employee benefit costs of $3 million and $5 million (2010 – $3 million and $7 million) were included in net interest expense and other financing charges in the second quarter of 2011 and year-to-date, respectively. Pre-tax actuarial losses related to post-employment benefits of $104 million and $98 million (2010 – $82 million and $130 million) were recognized in other comprehensive loss in the second quarter of 2011 and year-to-date, respectively. These losses were primarily due to decreases in the discount rate and lower than expected returns on assets.

Note 12. Subsidiary Capital Transactions

During the second quarter of 2011, Loblaw issued shares from treasury under its DRIP. As a result of the Company's participation in the DRIP, the Company's proportional ownership of Loblaw increased and contributed surplus decreased by $4 million (2010 – $4 million). During the first quarter of 2011, the Loblaw Board of Directors approved the discontinuance of the DRIP following the dividend payment on April 1, 2011. Since the inception of the DRIP in 2009, approximately $330 million in total Loblaw common share equity was raised.

During the second quarter of 2011, Loblaw purchased for cancellation 80,000 (2010 – nil) of its common shares. As a result, contributed surplus decreased by $1 million.

During the second quarter of 2011 and year-to-date, Loblaw issued 531,258 and 606,267 common shares, respectively, in connection with Loblaw's stock option plan (see note 13). As a result, contributed surplus increased by $7 million.

Note 13. Share-Based Compensation

The following table summarizes the Company's cost recognized in operating income related to its stock option and share appreciation right plans, restricted share unit plans and GWL's and Glenhuron Bank Limited's ("Glenhuron"), a wholly owned subsidiary of Loblaw, equity derivatives:

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 18, 2011**	Jun. 19, 2010	**Jun. 18, 2011**	Jun. 19, 2010
Stock option plans / share appreciation right plan expense[1]	**$ 7**	$ 11	**$ 5**	$ 23
Restricted share unit plan expense[1]	**13**	6	**5**	8
Equity derivative contracts (income) expense	**(7)**	(12)	**12**	(24)
Net share-based compensation expense	**$ 13**	$ 5	**$ 22**	$ 7

(1) In connection with the $1.0 billion special one-time common share dividend paid during the first quarter of 2011, employees who held stock options and restricted share units were compensated for the decreased value of their awards resulting from the payment of the dividend. The related expense was included in the compensation expense recorded in the second quarter of 2011 and year-to-date.

Stock Option Plan Commencing February 22, 2011, GWL and Loblaw amended their stock option plans whereby the right to receive a cash payment in lieu of exercising an option for shares was removed. As a result, $51 million previously recorded in trade and other payables and other liabilities was reclassified to contributed surplus.

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. 18, 2011**	Jun. 19, 2010	**Jun. 18, 2011**	Jun. 19, 2010
Outstanding options/rights, beginning of period	**1,742,799**	1,587,445	**1,533,443**	1,761,345
Granted	**5,565**	2,948	**243,159**	171,799
Exercised	**(11,393)**	(76,315)	**(14,864)**	(86,033)
Forfeited	**(32,649)**	(29,525)	**(57,416)**	(53,947)
Expired		(36,000)		(344,611)
Outstanding options/rights, end of period	**1,704,322**	1,448,553	**1,704,322**	1,448,553
Share appreciation value paid ($ millions)		$ 1		$ 1

During the second quarter of 2011, GWL granted stock options with an exercise price of $70.98 (2010 – $73.43) per common share, and a nominal fair value (2010 – nominal). In addition, during the second quarter of 2011 and year-to-date, GWL issued 11,393 and 14,864 common shares, respectively, on the exercise of stock options and received $1 million and $1 million in cash consideration, respectively.

The assumptions used to measure the fair value of the GWL options granted during the second quarter of 2011 under the Black-Scholes model at the grant date are as follows:

	Jun. 18, 2011
Expected dividend yield(1)	**2.0%**
Expected share price volatility(2)	**24.5% - 26.0%**
Risk-free interest rate(3)	**2.4% - 2.7%**
Expected life of options(4)	**4.8 - 6.6 years**

For the GWL options outstanding at the periods ended as indicated, the assumptions used to measure the fair value of options under the Black-Scholes model were as follows:

	As at	
	Jun. 19, 2010	Dec. 31, 2010
Expected dividend yield(1)	1.9%	1.7%
Expected share price volatility(2)	22.7% - 30.5%	19.3% - 28.2%
Risk-free interest rate(3)	1.1% - 2.8%	1.2% - 2.6%
Expected life of options(4)	0.9 - 6.6 years	0.5 - 6.4 years
Weighted average exercise price	$ 74.73	$ 75.71

(1) The expected dividend yield is estimated based on the annual dividend prior to the balance sheet date and the closing share price as at the balance sheet date.
(2) The expected share price volatility is estimated based on GWL's historical volatility over a period consistent with the expected life of the options.
(3) The risk-free interest rate is estimated based on the Government of Canada bond yield in effect at the reporting date for a term to maturity equal to the expected life of the options.
(4) The effect of expected exercise of options prior to expiry is incorporated into the weighted average expected life of the options, which is based on historical experience and general option holder behavior.

Estimated forfeiture rates are incorporated into the measurement of fair value. The forfeiture rate applied as at June 18, 2011 was 4.3% (June 19, 2010 – 4.0%; December 31, 2010 – 4.3%).

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

	12 Weeks Ended		24 Weeks Ended	
Number of Options	**Jun. 18, 2011**	Jun. 19, 2010	**Jun. 18, 2011**	Jun. 19, 2010
Outstanding options, beginning of period	**12,084,762**	9,835,263	**9,320,865**	9,207,816
Granted	**45,980**	10,525	**3,141,247**	2,489,095
Exercised	**(531,258)**	(125,195)	**(606,267)**	(424,975)
Forfeited	**(203,752)**	(135,587)	**(460,113)**	(988,758)
Expired				(698,172)
Outstanding options, end of period	**11,395,732**	9,585,006	**11,395,732**	9,585,006
Share appreciation value paid ($ millions)		$ 1		$ 3

During the second quarter of 2011, Loblaw granted stock options with an exercise price of $41.52 (2010 – $37.92) per common share and a nominal fair value (2010 – nominal). In addition, during the second quarter of 2011 and year-to-date, Loblaw issued 531,258 and 606,267 common shares, respectively, and received cash consideration of $16 million and $19 million, respectively.

The assumptions used to measure the fair value of the Loblaw options granted during the second quarter of 2011 under the Black-Scholes model at the grant date are as follows:

	Jun. 18, 2011
Expected dividend yield[(1)]	**2.1%**
Expected share price volatility[(2)]	**22.2% - 24.6%**
Risk-free interest rate[(3)]	**2.3% - 2.8%**
Expected life of options[(4)]	**4.4 - 6.4 years**

For the Loblaw options outstanding at the periods ended as indicated, the assumptions used to measure the fair value of options under the Black-Scholes model were as follows:

	As at	
	Jun. 19, 2010	Dec. 31, 2010
Expected dividend yield[(1)]	2.1%	2.1%
Expected share price volatility[(2)]	17.0% - 28.1%	16.0% - 27.0%
Risk-free interest rate[(3)]	0.8% - 2.8%	0.7% - 2.6%
Expected life of options[(4)]	0.4 - 6.4 years	0.2 - 6.4 years
Weighted average exercise price	$ 38.32	$ 38.56

(1) The expected dividend yield is estimated based on the annual dividend prior to the balance sheet date and the closing share price as at the balance sheet date.
(2) The expected share price volatility is estimated based on Loblaw's historical volatility over a period consistent with the expected life of the options.
(3) The risk-free interest rate is estimated based on the Government of Canada bond yield in effect at the reporting date for a term to maturity equal to the expected life of the options.
(4) The effect of expected exercise of options prior to expiry is incorporated into the weighted average expected life of the options, which is based on historical experience and general option holder behavior.

Estimated forfeiture rates are incorporated into the measurement of fair value. The forfeiture rate applied as at June 18, 2011 was 16.2% (June 19, 2010 – 14.6%; December 31, 2010 – 16.2%.)

		As at	
($ millions)	**Jun. 18, 2011**	Jun. 19, 2010	Dec. 31, 2010
Carrying amount of stock options recorded in:			
Trade and other payables		$ 34	$ 40
Other liabilities		15	22
Contributed surplus	**$ 49**		
	$ 49	$ 49	$ 62

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. 18, 2011**	Jun. 19, 2010	**Jun. 18, 2011**	Jun. 19, 2010
RSUs, beginning of period	**223,760**	166,295	**163,370**	152,555
Granted	**668**	421	**67,200**	47,899
Settled	**(58,606)**	(638)	**(62,381)**	(34,148)
Forfeited	**(220)**	(3,865)	**(2,587)**	(4,093)
RSUs, end of period	**165,602**	162,213	**165,602**	162,213
RSUs settled ($ millions)	**$ 4**	$	**$ 4**	$ 2

The share appreciation value paid by GWL in the second quarter of 2010 was nominal.

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

	12 Weeks Ended		24 Weeks Ended	
Number of Awards	**Jun. 18, 2011**	Jun. 19, 2010	**Jun. 18, 2011**	Jun. 19, 2010
RSUs, beginning of period	**1,104,308**	1,097,910	**1,045,346**	973,351
Granted	**4,617**	1,469	**352,371**	372,725
Settled	**(53,454)**	(8,072)	**(321,785)**	(171,764)
Forfeited	**(10,744)**	(9,398)	**(31,205)**	(92,403)
RSUs, end of period	**1,044,727**	1,081,909	**1,044,727**	1,081,909
RSUs settled ($ millions)	**$ 2**	$	**$ 12**	$ 6

The share appreciation value paid by Loblaw in the second quarter of 2010 was nominal.

	As at		
($ millions)	**Jun. 18, 2011**	Jun. 19, 2010	Dec. 31, 2010
Carrying amount of RSU liability recorded in:			
Trade and other payables	**$ 12**	$ 12	$ 15
Other liabilities	**8**	8	15
	$ 20	$ 20	$ 30
Intrinsic value of vested RSUs	**$ 22**	$ 23	$ 32

Equity Derivative Contracts

The following is a summary of GWL's equity swaps:

	As at		
($ millions unless otherwise indicated)	**Jun. 18, 2011**	Jun. 19, 2010	Dec. 31, 2010
Outstanding contracts (in millions)	**1.7**	1.7	1.7
Average forward price per share ($)	**$ 95.42**	$ 103.17	$ 103.17
Unrealized market loss recorded in trade and other payables	**$ 43**	$ 49	$ 32

During the first quarter of 2011, GWL amended the swap agreements to adjust the forward price of its equity swaps by $7.75 to an average forward price of $95.42 as a result of the special one-time common share dividend of $7.75 per common share declared in the fourth quarter of 2010 and paid in the first quarter of 2011.

The following is a summary of Glenhuron's equity forward contracts:

	As at		
($ millions unless otherwise indicated)	**Jun. 18, 2011**	Jun. 19, 2010	Dec. 31, 2010
Outstanding contracts (in millions)	**1.5**	1.5	1.5
Average forward price per share ($)	**$ 56.36**	$ 66.73	$ 56.26
Interest expense per share ($)	**$ 0.14**	$ 10.51	$ 0.04
Interest and unrealized market loss recorded in trade and other payables	**$ 26**	$ 40	$ 24

Note 14. Contingent Liabilities

The Company is involved in, and potentially subject to, various claims by third parties arising out of the normal course and conduct of its business including product liability, labour and employment, regulatory and environmental claims. Although such matters cannot be predicted with certainty, management currently considers the Company's exposure to such claims, to the extent not covered by the Company's insurance policies or otherwise provided for, not to be material to the unaudited interim period condensed consolidated financial statements.

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.

Income and Other Taxes The Company is subject to tax audits from various governments and regulatory agencies on an on-going basis. As a result, from time to time, taxing authorities may disagree with the positions and conclusions taken by the Company in its tax filings or change legislation, which could lead to reassessments. These reassessments may have a material impact on the Company's financial statements in future periods.

As previously noted, GWL received a reassessment from the Canada Revenue Agency ("CRA") challenging GWL's characterization of a gain reported in a previous tax return filing. Should the CRA be successful in its assertion, the maximum exposure to the Company's net earnings would be approximately $62 million. GWL is vigorously defending its filing position. No amount has been provided for in the Company's financial statements.

Subsequent to the second quarter of 2011, Loblaw received an update to the proposed reassessment from the Quebec Revenue Agency with regard to Loblaw's entitlement to certain previously claimed commodity tax credits. The Company does not expect the final assessment to result in a material impact to the Company's financial statements in future periods.

Note 15. 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 first quarter 2011 unaudited interim period condensed consolidated financial statements. 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. 18, 2011**	Jun. 19, 2010	**Jun. 18, 2011**	Jun. 19, 2010
Revenue				
Weston Foods	**$ 407**	$ 359	**$ 817**	$ 744
Loblaw	**7,278**	7,269	**14,150**	14,182
Intersegment	**(154)**	(146)	**(288)**	(280)
Consolidated	**$ 7,531**	$ 7,482	**$ 14,679**	$ 14,646
Operating Income				
Weston Foods	**$ 55**	$ 70	**$ 74**	$ 112
Loblaw	**343**	343	**644**	630
Other(1)	**(1)**	(6)	**(18)**	(35)
Consolidated	**$ 397**	$ 407	**$ 700**	$ 707

	As at		
($ millions)	**Jun. 18, 2011**	Jun. 19, 2010	Dec. 31, 2010
Total Assets			
Weston Foods	**$ 1,894**	$ 1,528	$ 1,800
Loblaw	**16,739**	16,283	17,001
Other(2)	**1,722**	3,203	2,895
Consolidated	**$ 20,355**	$ 21,014	$ 21,696

(1) Operating income in the second quarter of 2011 and year-to-date included a loss of $1 million and $18 million (2010 – $6 million and $35 million), respectively, related to the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and short term investments held by Dunedin and certain of its affiliates, which are foreign operations that have the same functional currency as that of the Company. The foreign currency translation losses were recorded in selling, general and administrative expenses.

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

Note 16. Transition to International Financial Reporting Standards

The Company's audited annual consolidated financial statements for the year ended December 31, 2011 will be the first audited annual consolidated financial statements that will be prepared in accordance with the requirements of IFRS including the application of IFRS 1. For the overall impact of IFRS on the opening balance sheet as at January 1, 2010, including a discussion of the optional exemptions taken and applicable mandatory exceptions, refer to the Company's first quarter 2011 unaudited interim period condensed consolidated financial statements.

The significant accounting policies described in the Company's first quarter 2011 consolidated financial statements have been applied in preparing the unaudited interim period condensed consolidated financial statements for the period ended June 18, 2011, the comparative information for the period ended June 19, 2010 and the financial statements for the year ended December 31, 2010.

An explanation of how the transition from CGAAP to IFRS has affected the Company's financial position and financial performance is set out in the following reconciliations and the explanatory notes that accompany the reconciliations. Reconciliations of the consolidated balance sheets, consolidated statements of earnings and consolidated statements of comprehensive income for the respective periods noted begin on page 62. Changes to cash flows were not material as a result of the conversion to IFRS.

IFRS 1 requires an entity to reconcile equity, net earnings and comprehensive income from CGAAP to IFRS for prior periods. The following represents the reconciliations for the respective periods noted for equity, net earnings and comprehensive income.

Reconciliation of Equity

($ millions)	Explanatory Notes	As at Jun. 19, 2010	As at Dec. 31, 2010
Total Shareholders' Equity – CGAAP		$ 6,978	$ 6,132
Differences (decreasing) increasing reported shareholders' equity			
Share-based payments	b	(7)	(3)
Business combinations	c		(1)
Property, plant and equipment	d	(73)	(85)
Leases	e	(22)	(24)
Employee benefits	f	(470)	(456)
Borrowing costs	h	(207)	(216)
Consolidations	i	(79)	(80)
Impairment of assets	j	(182)	(146)
Provisions	k	(17)	(14)
Financial instruments	l	(326)	(374)
Customer loyalty programs	m	(20)	(25)
Subtotal of adjustments		$ (1,403)[(1)]	$ (1,424)[(2)]
Change in presentation of minority interest	a	2,457	2,596
Total Equity – IFRS		$ 8,032	$ 7,304

(1) Includes equity attributable to non-controlling interests of $500 million.
(2) Includes equity attributable to non-controlling interests of $516 million.

Reconciliation of Net Earnings

($ millions)	Explanatory Notes	12 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 19, 2010	52 Weeks Ended Dec. 31, 2010
Net Earnings – CGAAP		$ 125	$ 167	$ 452
Differences increasing (decreasing) reported net earnings				
Share-based payments	b	1	3	5
Business combinations	c			(1)
Property, plant and equipment	d	(2)	(2)	(14)
Leases	e		(3)	(5)
Employee benefits	f	6	13	29
Borrowing costs	h	(4)	(8)	(17)
Consolidations	i	(6)	(6)	3
Impairment of assets	j	4	5	41
Provisions	k		(1)	2
Financial instruments	l	(1)	(3)	(54)
Customer loyalty programs	m	(4)	(6)	(11)
Subtotal of adjustments		$ (6)(1)	$ (8)(2)	$ (22)(3)
Change in presentation of minority interest	a	76	123	273
Net Earnings – IFRS		$ 195	$ 282	$ 703

(1) Includes a net loss attributable to non-controlling interests of $9 million.
(2) Includes a net loss attributable to non-controlling interests of $6 million.
(3) Includes a net loss attributable to non-controlling interests of $22 million.

Reconciliation of Comprehensive Income

($ millions)	Explanatory Notes	12 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 19, 2010	52 Weeks Ended Dec. 31, 2010
Comprehensive Income – CGAAP		$ 123	$ 151	$ 419
Differences (decreasing) increasing reported comprehensive income				
Net earnings		(6)	(8)	(22)
Foreign currency translation adjustment			1	1
Unrealized available for sale financial assets	l	(3)	(3)	(1)
Unrealized cash flow hedges	l	5	11	12
Net defined benefit plan actuarial losses	f	(60)	(95)	(98)
Subtotal of adjustments		$ (64)(1)	$ (94)(2)	$ (108)(3)
Change in presentation of minority interest	a	76	121	271
Comprehensive Income – IFRS		$ 135	$ 178	$ 582

(1) Includes a comprehensive loss attributable to non-controlling interests of $26 million.
(2) Includes a comprehensive loss attributable to non-controlling interests of $33 million.
(3) Includes a comprehensive loss attributable to non-controlling interests of $52 million.

Explanatory notes for reconciliations of equity, net earnings, comprehensive income and balance sheet items

a. Changes in Presentation

Non-Controlling Interests Under CGAAP, equity and earnings not attributable to the shareholders of the Company were considered to be "minority interest" such that effectively, equity and net earnings are only those attributable to the shareholders of the Company. Under IFRS, the term "minority interest" has been replaced by "non-controlling interests", and non-controlling interests are required to be presented as a component of equity. Net earnings attributable to the non-controlling interests are presented in the consolidated statement of earnings as an allocation of net earnings. As a result, the CGAAP balances of $2,457 million and $2,596 million were reclassified from minority interest to non-controlling interests on the consolidated balance sheets as at June 19, 2010 and December 31, 2010, respectively, the CGAAP balances of $76 million, $123 million and $273 million were reclassified on the consolidated statements of earnings and the CGAAP balances of $76 million, $121 million and $271 million were reclassified on the consolidated statements of comprehensive income for the 12 and 24 weeks ended June 19, 2010 and for the year ended December 31, 2010, respectively, from minority interest to be presented as an allocation of net earnings.

Investment Properties Under IFRS, properties held to earn rental income or for capital appreciation, or both, are presented separately from fixed assets as investment property. Accordingly, properties that met the definition of investment property amounting to $70 million and $74 million, net of impairment, as at June 19, 2010 and December 31, 2010, respectively, were reclassified from fixed assets to investment properties on the consolidated balance sheet.

Income Taxes IFRS requires deferred income tax assets and liabilities to be presented on the balance sheet as non-current assets and liabilities. As a result, current future income tax assets of $91 million and $61 million were reclassified to non-current deferred income tax assets as at June 19, 2010 and December 31, 2010, respectively. As part of the adoption of IFRS, the term "future income taxes" has been replaced by the term "deferred income taxes".

Provisions Under IFRS, current and long term provisions are accounted for and disclosed separately from trade and other payables and other liabilities. Provisions were reclassified from accounts payable and accrued liabilities and other liabilities to current provisions of $97 million and $93 million and long term provisions of $80 million and $74 million, as at June 19, 2010 and December 31, 2010, respectively.

Consolidated Cash Flow Statement The Company has chosen to separately present interest, income taxes and dividends received and paid on the cash flow statement.

b. IFRS 2, "Share-Based Payment"

Cash-Settled Share-Based Payments Prior to February 22, 2011, the Company maintained various cash-settled share-based payment arrangements. Under both IFRS and CGAAP, liabilities for cash-settled share-based payment awards are measured at the grant date and are remeasured at each reporting date until the settlement date. However, the Company measured the liability for cash-settled awards at intrinsic value under CGAAP, whereas IFRS requires the liability to be measured at fair value. Under IFRS, the related liability is adjusted to reflect the fair value of the outstanding cash-settled share-based payments.

Awards Subject to Graded Vesting and Forfeitures Under IFRS, for share-based payment awards with graded vesting, each tranche of the award is valued separately. Under CGAAP, the value of these awards was determined for each grant as a whole. Additionally, under IFRS, an estimate of the impact of forfeitures is calculated at the grant date and is revised if subsequent information indicates that it is appropriate to do so. Under CGAAP, the Company followed a policy recognizing forfeitures as they occurred.

As a result of the changes described above, the Company's liabilities as at June 19, 2010 and December 31, 2010 and net earnings for the periods ended June 19, 2010 and for the year ended December 31, 2010 were higher under IFRS compared to CGAAP.

The cumulative impact arising from the changes described above is summarized as follows:

Consolidated Statements of Earnings

Increase (Decrease) ($ millions)	12 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 19, 2010	52 Weeks Ended Dec. 31, 2010
Operating income	$ 2	$ 4	$ 10
Income taxes	$ 1	$ 1	$ 5
Net earnings	$ 1	$ 3	$ 5

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Jun. 19, 2010	Dec. 31, 2010
Deferred income tax assets	$ 4	
Trade and other payables	$ 31	$ 32
Other liabilities	$ (20)	$ (29)
Contributed surplus		$ 2
Retained earnings	$ (6)	$ (4)
Non-controlling interests	$ (1)	$ (1)

c. IFRS 3, "Business Combinations"

For business combinations that occurred subsequent to the transition to IFRS, transaction costs are included in the statement of earnings. Under CGAAP, these costs were included in the purchase price equation.

The impact arising from the change described above is summarized as follows:

Consolidated Statements of Earnings

Increase (Decrease) ($ millions)	12 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 19, 2010	52 Weeks Ended Dec. 31, 2010
Operating income			$ (2)
Income taxes			$ (1)
Net earnings			$ (1)

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Jun. 19, 2010	Dec. 31, 2010
Goodwill and intangible assets		$ (2)
Deferred income tax assets		$ 1
Retained earnings		$ (1)

d. IAS 16, "Property, Plant and Equipment"

Component Accounting and Derecognition of Replaced Parts Under IFRS, when a fixed asset comprises of individual components for which different depreciation methods or rates are appropriate, each component is accounted for separately (component accounting). In addition, under IFRS, when an individual part of a fixed asset is replaced, the carrying amount of the replacement part is capitalized, and the carrying amount of the replaced part is derecognized. Under CGAAP, the Company did not apply component accounting to the degree required by IFRS, and the Company did not derecognize the carrying value of replaced parts.

Depreciation of Site Dismantling and Restoration Costs Under IFRS, when the cost of land includes costs for site dismantling and restoration, this portion of the land is depreciated over the period of time in which the benefits will be obtained. Under CGAAP, such costs were not depreciated.

The cumulative impact arising from the changes described above is summarized as follows:

Consolidated Statements of Earnings

Increase (Decrease) ($ millions)	12 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 19, 2010	52 Weeks Ended Dec. 31, 2010
Operating income	$ (2)	$ (2)	$ (18)
Income taxes			$ (4)
Net earnings	$ (2)	$ (2)	$ (14)

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Jun. 19, 2010	Dec. 31, 2010
Fixed assets	$ (84)	$ (100)
Deferred income tax assets	$ 9	$ 12
Deferred income tax liabilities	$ (2)	$ (3)
Retained earnings	$ (50)	$ (58)
Non-controlling interests	$ (23)	$ (27)

e. IAS 17, "Leases" ("IAS 17")

The principles in IAS 17 underlying the classification and recognition of leases as finance leases (referred to as capital leases under CGAAP) or operating leases are consistent with CGAAP although there are certain differences in the application of the requirements. IFRS provides additional indicators of a finance lease that were not provided under CGAAP.

Land and Building Leases Both CGAAP and IFRS consider the leasehold interests in land and building separately for the purpose of classification of leases; however, IFRS requires the allocation of minimum lease payments between the land and building elements of a lease to be in proportion to the relative fair values of the leasehold interests in the land and building. Under CGAAP, the allocation is based on the fair value of the land and building.

Sale and Leaseback Transactions In addition, IFRS permits the immediate recognition of gains and losses on sale leaseback transactions which result in an operating lease, provided the transaction is established at fair value. Under CGAAP, gains and losses are deferred and amortized in proportion to the lease payments over the lease term, unless the asset sold in the sale leaseback transaction is impaired, in which case the loss is recognized immediately.

The cumulative impact arising from the changes described above is summarized as follows:

Consolidated Statements of Earnings

Increase (Decrease) ($ millions)	12 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 19, 2010	52 Weeks Ended Dec. 31, 2010
Operating income	$ 3	$ 2	$ 8
Net interest expense and other financing charges	$ 3	$ 6	$ 14
Income taxes		$ (1)	$ (1)
Net earnings		$ (3)	$ (5)

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Jun. 19, 2010	Dec. 31, 2010
Fixed assets	$ 136	$ 139
Deferred income tax assets	$ 4	$ 4
Trade and other payables	$ (1)	$ (1)
Long term debt due within one year	$ 7	$ 8
Long term debt	$ 172	$ 175
Deferred income tax liabilities	$ (3)	$ (3)
Other liabilities	$ (13)	$ (12)
Retained earnings	$ (11)	$ (12)
Non-controlling interests	$ (11)	$ (12)

f. IAS 19, "Employee Benefits"

Actuarial Gains and Losses for Defined Benefit Plans Under IFRS, the Company recognizes actuarial gains and losses for defined benefit post-employment benefit plans in other comprehensive loss in the period in which they arise, and the recognized actuarial gains and losses are presented in retained earnings. In addition, the Company recognizes actuarial gains and losses for other long term employee benefits immediately in net earnings. Under CGAAP, actuarial gains and losses for post-employment defined benefit plans were deferred and were subject to amortization under the 'corridor method', and actuarial gains and losses for other long term employee benefits were deferred and were amortized over a period that was linked to the type of benefit, which generally was three years.

As a result of retrospective application of these accounting policies at the date of transition, all previously unrecognized actuarial gains and losses under CGAAP were recognized by decreasing opening retained earnings.

For post-employment defined benefit plans, the unrecognized actuarial gains and losses exceeding the corridor method that were recognized in net earnings under CGAAP were reversed, and all actuarial gains and losses arising in the period were recognized in other comprehensive loss.

For other long term employee benefits, the actuarial gains and losses arising in the period that were deferred under CGAAP were recognized in net earnings.

Past Service Cost for Defined Benefit Plans Under IFRS, past service costs arising from benefit improvements are recognized on a straight-line basis over the vesting period until the benefits become vested, or, if the benefits vest immediately, the expense is recognized immediately in net earnings. Under CGAAP, the Company amortized past service costs on a straight-line basis over the expected average remaining service period of active employees under the plan, which is a longer period than the vesting period.

For unrecognized past service costs at the date of transition that related to vested benefits, the unrecognized amount was recognized as an adjustment to decrease opening retained earnings. In addition, the amortization of past service costs for benefits that were vested at the date of transition was reversed under IFRS.

For unrecognized past service costs at the date of transition that related to unvested benefits, an adjustment was recorded to decrease the unrecognized amount that would have existed had the IFRS policy always been applied. In addition, the amortization of past service costs in net earnings was increased to reflect the amortization of the unrecognized amount over the shorter vesting period.

Measurement Date Under CGAAP, the Company's policy was to measure its defined benefit obligations and related plan assets at September 30 of each year. IFRS requires that the defined benefit obligation and the fair value of plan assets be determined with sufficient regularity, such that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date. As a result, the Company measured its defined benefit obligations and plan assets at the date of transition and at the end of the comparative annual period.

Attribution of Post-Employment Health and Dental Benefits The Company offers post-employment medical benefits, including health and dental benefits, for which employees are required to meet certain eligibility requirements, such as a specified number of consecutive years of service and or continuing to work until a specified age. Under CGAAP, the Company recognized an obligation and expense from the date of hire, and the obligation and expense were recognized on a straight-line basis until the eligibility criteria were met.

Under IFRS, the Company begins recognizing an obligation and expense when service first leads to benefits under the plan, and the obligation and expense are recognized on a straight-line basis until the eligibility criteria are met. The date when service first leads to benefits may be later than the date of hire, resulting in attribution of the obligation at a later date under IFRS and recognition of the obligation and expense over a shorter period. The defined benefit obligation as at January 1, 2010 reflects this change with the resulting decrease in the defined benefit obligation recognized in opening retained earnings.

Asset Ceiling and Recognition of Additional Minimum Liability The Company has certain funded post-employment defined benefit plans for which the fair value of plan assets exceeds the defined benefit obligation. Under both CGAAP and IFRS, recognition of the net defined benefit asset is limited to the present value of the future economic benefits that the Company expects to realize from refunds from the plan or reductions in future contributions (the "asset ceiling").

The methodology for calculating the asset ceiling differs under IFRS and in general, the asset ceiling is lower under IFRS than under CGAAP. In addition, the Company recognizes changes in the asset ceiling under IFRS in other comprehensive loss, whereas under CGAAP, changes in the asset ceiling were recognized in net earnings.

Under IFRS, when the Company has an obligation to make future contributions into plans in respect of services already received, a liability is recognized to the extent that the contributions will increase an existing net defined benefit surplus or will result in a net defined benefit surplus in the future, and the benefit of the surplus or expected future surplus will not be fully available as a refund from the plan or a reduction in future contributions. The Company recognizes changes in the additional minimum liability under IFRS in other comprehensive loss. No such liability was recognized under CGAAP.

As a result of the above requirements, at January 1, 2010, the Company recognized a valuation allowance and an additional minimum liability, with the corresponding adjustments recognized in opening retained earnings.

For the year ended December 31, 2010, under IFRS the Company recognized an increase in the valuation allowance which was recognized in other comprehensive loss. The Company reversed the change in the valuation allowance that was recognized in net earnings under CGAAP, resulting in an increase in net earnings of that amount. In addition, at December 31, 2010, the Company recognized an increase in the additional minimum liability, and the change in the liability was recognized in other comprehensive loss.

The impacts arising from the changes described above are summarized as follows:

Consolidated Statements of Earnings

Increase (Decrease) ($ millions)	12 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 19, 2010	52 Weeks Ended Dec. 31, 2010
Operating income	$ 11	$ 24	$ 55
Net interest expense and other financing charges	$ 3	$ 7	$ 16
Income taxes	$ 2	$ 4	$ 10
Net earnings	$ 6	$ 13	$ 29

Consolidated Statements of Comprehensive Income

Increase (Decrease) ($ millions)	12 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 19, 2010	52 Weeks Ended Dec. 31, 2010
Other comprehensive loss, net of income taxes	$ (60)	$ (95)	$ (98)

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Jun. 19, 2010	Dec. 31, 2010
Deferred income tax assets	$ 155	$ 149
Other assets	$ (399)	$ (422)
Deferred income tax liabilities	$ (17)	$ (17)
Other liabilities	$ 243	$ 200
Retained earnings	$ (331)	$ (319)
Accumulated other comprehensive loss	$ 1	$ 1
Non-controlling interests	$ (140)	$ (138)

g. IAS 21, "The Effects of Changes in Foreign Exchange Rates" ("IAS 21")

The Company has elected to not apply the requirements with respect to foreign exchange under IAS 21 retrospectively. Accordingly, all foreign currency translation differences that arose prior to the date of transition were deemed to be nil at the date of transition and the cumulative foreign currency translation adjustment in accumulated other comprehensive loss was set to nil, with a corresponding adjustment to opening retained earnings at the date of transition. There was no impact on total equity as a result of this election.

The impact arising from the change described above is summarized as follows:

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Jun. 19, 2010	Dec. 31, 2010
Retained earnings	$ (103)	$ (103)
Accumulated other comprehensive loss	$ 103	$ 103

h. IAS 23, "Borrowing Costs" ("IAS 23")

The Company capitalized interest as part of the cost of qualifying assets under CGAAP; however, the capitalization methodology under CGAAP was not the same as that under IFRS.

The Company has elected to apply the requirements of IAS 23 prospectively from the date of transition. As a result, the Company derecognized the carrying amount of capitalized interest under CGAAP for qualifying assets to which IAS 23 has not been applied retrospectively. As such, the Company capitalizes borrowing costs for qualifying assets for which the commencement date for capitalization is on or after the transition date.

The impact arising from the change described above is summarized as follows:

Consolidated Statements of Earnings

Increase (Decrease)	12 Weeks Ended	24 Weeks Ended	52 Weeks Ended
($ millions)	Jun. 19, 2010	Jun. 19, 2010	Dec. 31, 2010
Operating income	$ 1	$ 1	$ 1
Net interest expense and other financing charges	$ 5	$ 10	$ 21
Income taxes		$ (1)	$ (3)
Net earnings	$ (4)	$ (8)	$ (17)

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Jun. 19, 2010	Dec. 31, 2010
Fixed assets	$ (248)	$ (259)
Deferred income tax assets	$ 20	$ 22
Deferred income tax liabilities	$ (21)	$ (21)
Retained earnings	$ (131)	$ (136)
Non-controlling interests	$ (76)	$ (80)

i. IAS 27, "Consolidated and Separate Financial Statements" and Standing Interpretations Committee 12, "Consolidation – Special Purpose Entities"

Consolidation and Deconsolidation Under IAS 27 and SIC-12, consolidation is assessed based on the control model, and IFRS does not include the concept of a variable interest entity. Accordingly, Loblaw is no longer required to consolidate certain independent franchisees and other entities subject to warehouse and distribution service agreements that were previously consolidated under CGAAP pursuant to the requirements of Accounting Guideline 15, "Consolidation of Variable Interest Entities". The independent funding trust through which Loblaw franchisees obtain financing and Eagle, the independent credit card trust that finances certain PC Bank credit card receivables, are subject to consolidation under IFRS based on the indicators of control in SIC-12. As a result, Loblaw was required to remeasure the initial consideration received from each independent franchisee in the form of a loan receivable, to exclude the benefit of the credit enhancement provided to the independent funding trust by Loblaw. The consolidation of Eagle had the effect of decreasing net earnings for the periods ended June 19, 2010 and for the year ended December 31, 2010.

The impact arising from the change described above is summarized as follows:

Consolidated Statements of Earnings

Increase (Decrease)	12 Weeks Ended	24 Weeks Ended	52 Weeks Ended
($ millions)	Jun. 19, 2010	Jun. 19, 2010	Dec. 31, 2010
Operating income	$ 3	$ 15	$ 45
Net interest expense and other financing charges	$ 10	$ 22	$ 47
Income taxes	$ (1)	$ (1)	$ (5)
Net earnings	$ (6)	$ (6)	$ 3

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Jun. 19, 2010	Dec. 31, 2010
Cash and cash equivalents	$ (39)	$ (75)
Short term investments	$ 30	$ 19
Accounts receivable	$ 117	$ 118
Credit card receivables	$ 500	$ 1,100
Inventories	$ (150)	$ (158)
Prepaid expenses and other assets	$ 2	$ 2
Fixed assets	$ (186)	$ (196)
Goodwill and intangible assets	$ (6)	$ (15)
Deferred income tax assets	$ 40	$ 39
Franchise loans receivable	$ 391	$ 399
Other assets	$ 41	$ 94
Bank indebtedness	$ 6	$ 7
Trade and other payables	$ 103	$ 114
Provisions	$ 2	$ 1
Income taxes payable	$ 5	$ (6)
Long term debt due within one year	$ 460	$ 461
Long term debt	$ 229	$ 810
Deferred income tax liabilities	$ 8	$ 17
Other liabilities	$ 6	$ 3
Minority interest	$ (26)	$ (41)
Contributed surplus	$ (4)	$ (16)
Retained earnings	$ (31)	$ (16)
Non-controlling interests	$ (18)	$ (7)

j. IAS 36, "Impairment of Assets"

IFRS requires that assets be tested for impairment at the level of a cash generating unit ("CGU"), which is defined as the smallest group of assets that generate independent cash inflows. Weston Foods' manufacturing assets are grouped together at the level of production categories which are capable of servicing their customers independently of other production categories. Loblaw's definite life non-financial assets impairment under IFRS is performed on a store-by-store basis. Under CGAAP, definite life assets were grouped together in asset groups defined as the lowest level of assets and liabilities for which identifiable cash flows were largely independent of the cash flows of other assets and liabilities. As a result, under this test when Loblaw stores were largely dependent on each other, the stores were grouped together by primary market areas. In addition, IFRS permits the reversal of an impairment loss recognized in prior periods for assets other than goodwill. CGAAP did not permit these reversals.

The methodology under IFRS to establish whether an impairment loss should be recognized is based on whether the recoverable amount of the individual asset or CGU is less than the carrying amount. The recoverable amount of a CGU is the greater of its value in use and its fair value less costs to sell. Under IFRS, value in use is based on discounted cash flows. Under CGAAP, impairment was evaluated using a two-step process whereby the recoverable amount was first assessed on an undiscounted basis. If the recoverable amount was less than its carrying value, then the impairment loss was measured and recognized based on the fair value of the asset or asset group.

As at the transition date, the Company reviewed its tangible and intangible assets to determine whether there were indicators that these assets or CGUs were impaired or whether there were indications necessitating a reversal of impairments previously recorded. An impairment review under the IFRS methodology was also performed for the period ended June 19, 2010 and for the year ended December 31, 2010.

The impact arising from the changes described above is summarized as follows:

Consolidated Statements of Earnings

Increase (Decrease) ($ millions)	12 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 19, 2010	52 Weeks Ended Dec. 31, 2010
Operating income	$ 4	$ 6	$ 54
Income taxes		$ 1	$ 13
Net earnings	$ 4	$ 5	$ 41

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Jun. 19, 2010	Dec. 31, 2010
Assets held for sale		$ (2)
Fixed assets	$ (234)	$ (184)
Investment properties	$ (15)	$ (15)
Deferred income tax assets	$ 38	$ 31
Deferred income tax liabilities	$ (29)	$ (24)
Retained earnings	$ (113)	$ (91)
Non-controlling interests	$ (69)	$ (55)

k. IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" ("IAS 37")

Change in Measurement Basis The guidance related to the recognition of provisions under IAS 37 contains certain differences in terminology, recognition requirements and basis of measurement. Accordingly, due to changes in the discount rate as required under IFRS, an adjustment related to the measurement of decommissioning liabilities, referred to as asset retirement obligations under CGAAP, was recognized on transition. The differences related to recognition requirements had the effect of decreasing net earnings for the period ended June 19, 2010 and the year ended December 31, 2010.

Onerous Contracts IFRS also has requirements with respect to the recognition of provisions for onerous contracts which are not specifically addressed in CGAAP, except for certain onerous arrangements arising from a business combination. Consistent with CGAAP, future operating losses are not recognized as a liability since they do not result from a past transaction; however, a provision for an onerous contract is recognized under IFRS if the unavoidable costs under the contract exceed the benefits the Company will derive from it.

Accordingly, an additional provision for onerous lease contracts was recorded for certain leased properties at January 1, 2010. This change had the effect of increasing net earnings for the period ended June 19, 2010 and for the year ended December 31, 2010, as any expenses related to these properties that were recognized under CGAAP were offset against the provision that was recognized on transition to IFRS.

The cumulative impact arising from the changes described above is summarized as follows:

Consolidated Statements of Earnings

Increase (Decrease) ($ millions)	12 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 19, 2010	52 Weeks Ended Dec. 31, 2010
Operating income	$ 1	$ (1)	$ 3
Income taxes	$ 1		$ 1
Net earnings		$ (1)	$ 2

Consolidated Balance Sheets

Increase (Decrease) ($ millions)	As at Jun. 19, 2010	As at Dec. 31, 2010
Fixed assets	$ 1	$ 1
Deferred income tax assets	$ 2	$ 2
Provisions	$ 23	$ 19
Deferred income tax liabilities	$ (3)	$ (2)
Retained earnings	$ (10)	$ (8)
Non-controlling interests	$ (7)	$ (6)

l. IAS 39, "Financial Instruments: Recognition and Measurement" and IAS 18, "Revenue" ("IAS 18")

Franchise Relationships As a result of Loblaw no longer consolidating certain independent franchisees, Loblaw was required to evaluate the sale of each franchise arrangement under IAS 18 at its inception. Based on the guidance in IAS 18, Loblaw concluded that each franchise arrangement contains separately identifiable components which were required to be measured at fair value. The impact of this requirement was that the fair value of certain consideration was less than the amounts recorded at inception.

Loblaw recognized and evaluated these additional financial assets and financial liabilities in accordance with IAS 39, which requires application retrospectively to the inception of each arrangement. Loblaw's evaluation identified events that provide objective evidence that the cash flows associated with certain of these financial assets are such that the fair value was impaired. As a result, upon implementation of IFRS, the Company recorded a decrease in certain financial assets and a corresponding decrease to total equity.

Hedging Relationships Historically, the Company has entered into cross currency and interest rate swaps, which were designated to be in a cash flow hedging relationship under CGAAP. The method of assessing hedge effectiveness used under CGAAP did not qualify these instruments for hedge accounting under IFRS and accordingly the Company elected to discontinue hedge accounting at the date of transition. This resulted in a transitional reclassification from accumulated other comprehensive loss to retained earnings. Subsequent changes in fair value will be recorded in the consolidated statement of earnings. The discontinuance of the hedging relationship had the effect of decreasing net earnings for the period ended June 19, 2010 and for the year ended December 31, 2010.

Derecognition of Credit Card Receivables IFRS contains different criteria than CGAAP for derecognition of financial assets and requires an evaluation of the extent to which an entity retains the risks and rewards of ownership as well as control over the transferred assets. Under CGAAP, the sale of credit card receivables to certain independent credit card trusts administered by major Canadian banks qualified for sale treatment pursuant to the criteria defined in Accounting Guideline 12, "Transfers of Receivables". Given the revolving nature of these assets and the fact that substantially all the risks and rewards of ownership as defined in IAS 39 are retained by Loblaw, these financial assets do not qualify for derecognition under IFRS and therefore are recognized on the consolidated balance sheets.

The cumulative impact arising from the changes described above is summarized as follows:

Consolidated Statements of Earnings

Increase (Decrease) ($ millions)	12 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 19, 2010	52 Weeks Ended Dec. 31, 2010
Operating income		$ 3	$ (56)
Net interest expense and other financing charges	$ (4)	$ (8)	$ (15)
Income taxes	$ 5	$ 14	$ 13
Net earnings	$ (1)	$ (3)	$ (54)

Consolidated Statements of Comprehensive Income

Increase (Decrease) ($ millions)	12 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 19, 2010	52 Weeks Ended Dec. 31, 2010
Other comprehensive loss, net of income taxes	$ 2	$ 8	$ 11

Consolidated Balance Sheets

Increase (Decrease) ($ millions)	As at Jun. 19, 2010	 Dec. 31, 2010
Accounts receivable	$ (84)	$ (96)
Credit card receivables	$ 1,112	$ 517
Prepaid expenses and other assets		$ 1
Deferred income tax assets	$ 44	$ 43
Franchise loans receivable	$ (55)	$ (85)
Other assets	$ (155)	$ (154)
Trade and other payables	$ (20)	$ (5)
Income taxes payable	$ 2	
Short term debt	$ 1,135	$ 535
Other liabilities	$ 71	$ 70
Retained earnings	$ (199)	$ (231)
Accumulated other comprehensive loss	$ (5)	$ (3)
Non-controlling interests	$ (122)	$ (140)

m. International Financial Reporting Interpretations Committee 13, “Customer Loyalty Programs” (“IFRIC 13”)

IFRIC 13 requires the fair value of customer loyalty programs to be recognized as a component of the related sales transaction, such that a portion of the revenue from the initial sales transaction in which the awards are granted is deferred. Under CGAAP, the Company recognized the net cost of the program in operating expenses. Accordingly, the Company recorded an adjustment to defer a portion of the revenue for the initial sales transaction in which awards were granted and remain outstanding, based on the fair value of the awards granted. The Company has elected to allocate the fair value of awards granted using the residual fair value method.

The impact arising from the change described above is summarized as follows:

Consolidated Statements of Earnings

Increase (Decrease) ($ millions)	12 Weeks Ended Jun. 19, 2010	24 Weeks Ended Jun. 19, 2010	52 Weeks Ended Dec. 31, 2010
Revenue	$ (32)	$ (63)	$ (126)
Selling, general and administrative expenses	$ (27)	$ (55)	$ (111)
Operating income	$ (5)	$ (8)	$ (15)
Income taxes	$ (1)	$ (2)	$ (4)
Net earnings	$ (4)	$ (6)	$ (11)

Consolidated Balance Sheets

Increase (Decrease) ($ millions)	As at Jun. 19, 2010	 Dec. 31, 2010
Accounts receivable	$ (1)	
Deferred income tax assets	$ 8	$ 10
Trade and other payables	$ 27	$ 35
Retained earnings	$ (13)	$ (16)
Non-controlling interests	$ (7)	$ (9)

Reconciliation of Consolidated Statements of Earnings

(millions of Canadian dollars) For the 12 weeks ended Jun. 19, 2010

Accounts	CGAAP Balance	IFRS Reclassifications	IFRS Adjustments	IFRS Balance
Revenue	$ 7,530		$ (48)	$ 7,482
Operating Expenses				
Cost of inventories sold	5,596		23	5,619
Selling, administrative and other expenses	1,393	$ (1,393)		
Depreciation and amortization	152	(152)		
Selling, general and administrative expenses		1,545	(89)	1,456
	7,141		(66)	7,075
Operating Income	389		18	407
Net interest expense and other financing charges	98		17	115
Earnings Before Income Taxes	291		1	292
Income Taxes	90		7	97
	201		(6)	195
Minority Interest	76	(76)		
Net Earnings	$ 125	$ 76	$ (6)	$ 195
Net Earnings Attributable to:				
Shareholders of the Company			3	128
Non-Controlling Interests			(9)	67
Net Earnings			$ (6)	$ 195
Net Earnings per Common Share ($)				
Basic	$ 0.89		$ 0.02	$ 0.91
Diluted	$ 0.89		$ (0.04)	$ 0.85

(millions of Canadian dollars) For the 24 weeks ended Jun. 19, 2010

Accounts	CGAAP Balance	IFRS Reclassifications	IFRS Adjustments	IFRS Balance
Revenue	$ 14,707		$ (61)	$ 14,646
Operating Expenses				
Cost of inventories sold	10,915		68	10,983
Selling, administrative and other expenses	2,823	$ (2,823)		
Depreciation and amortization	306	(306)		
Selling, general and administrative expenses		3,129	(173)	2,956
	14,044		(105)	13,939
Operating Income	663		44	707
Net interest expense and other financing charges	221		37	258
Earnings Before Income Taxes	442		7	449
Income Taxes	152		15	167
	290		(8)	282
Minority Interest	123	(123)		
Net Earnings	$ 167	$ 123	$ (8)	$ 282
Net Earnings Attributable to:				
Shareholders of the Company			(2)	165
Non-Controlling Interests			(6)	117
Net Earnings			$ (8)	$ 282
Net Earnings per Common Share ($)				
Basic	$ 1.14		$ (0.02)	$ 1.12
Diluted	$ 1.14		$ (0.14)	$ 1.00

Reconciliation of Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) For the 12 weeks ended Jun. 19, 2010

Accounts	CGAAP Balance	IFRS Reclassifications	IFRS Adjustments	IFRS Balance
Net earnings	$ 125	$ 76	$ (6)	$ 195
Foreign currency translation adjustment	(2)			(2)
	(2)			(2)
Net unrealized (loss) gain on available-for-sale financial assets		(1)	1	
Reclassification of loss (gain) on available-for-sale financial assets to net earnings	2	2	(4)	
	2	1	(3)	
Net gain on derivatives designated as cash flow hedges			1	1
Reclassification of (gain) loss on derivatives designated as cash flow hedges to net earnings	(2)	(1)	4	1
	(2)	(1)	5	2
Net defined benefit plan actuarial losses			(60)	(60)
Other comprehensive loss	(2)		(58)	(60)
Comprehensive Income (Loss)	$ 123	$ 76	$ (64)	$ 135
Comprehensive Income Attributable to:				
Shareholders of the Company			$ (38)	$ 85
Non-Controlling Interests			$ (26)	$ 50

(millions of Canadian dollars) For the 24 weeks ended Jun. 19, 2010

Accounts	CGAAP Balance	IFRS Reclassifications	IFRS Adjustments	IFRS Balance
Net earnings	$ 167	$ 123	$ (8)	$ 282
Foreign currency translation adjustment	(13)		1	(12)
	(13)		1	(12)
Net unrealized (loss) gain on available-for-sale financial assets	(3)	(2)	5	
Reclassification of loss (gain) on available-for-sale financial assets to net earnings	5	3	(8)	
	2	1	(3)	
Net (loss) gain on derivatives designated as cash flow hedges	(1)	(1)	1	(1)
Reclassification of (gain) loss on derivatives designated as cash flow hedges to net earnings	(4)	(2)	10	4
	(5)	(3)	11	3
Net defined benefit plan actuarial losses			(95)	(95)
Other comprehensive loss	(16)	(2)	(86)	(104)
Comprehensive Income (Loss)	$ 151	$ 121	$ (94)	$ 178
Comprehensive Income Attributable to:				
Shareholders of the Company			$ (61)	$ 90
Non-Controlling Interests			$ (33)	$ 88

Reconciliation of Consolidated Balance Sheets

(millions of Canadian dollars) As at Jun. 19, 2010

Accounts	CGAAP Balance	IFRS Reclassifications	IFRS Adjustments	IFRS Balance
Assets				
Current Assets				
Cash and cash equivalents	$ 1,567		$ (39)	$ 1,528
Short term investments	3,461		30	3,491
Accounts receivable	726	$ (271)	32	487
Credit card receivables		271	1,612	1,883
Inventories	2,164		(150)	2,014
Future income taxes	91	(91)		
Prepaid expenses and other assets	137		2	139
Assets held for sale		83		83
Total Current Assets	8,146	(8)	1,487	9,625
Fixed Assets	9,034	(168)	(615)	8,251
Investment Properties		85	(15)	70
Goodwill and Intangible Assets	1,295		(6)	1,289
Deferred Income Taxes		86	324	410
Future Income Taxes	57	(57)		
Security Deposits	280			280
Franchise Loans Receivable			336	336
Other Assets	1,266		(513)	753
Total Assets	$ 20,078	$ (62)	$ 998	$ 21,014
Liabilities				
Current Liabilities				
Bank indebtedness	$ 14		$ 6	$ 20
Trade and other payables	3,359	$ (97)	140	3,402
Provisions		97	4	101
Income taxes payable	56		7	63
Short term debt	317		1,135	1,452
Long term debt due within one year	403		467	870
Total Current Liabilities	4,149		1,759	5,908
Provisions		80	21	101
Long Term Debt	5,384		401	5,785
Future Income Taxes	255	(255)		
Deferred Income Taxes		193	(67)	126
Other Liabilities	635	(80)	287	842
Capital Securities	220			220
Minority Interest	2,457	(2,457)		
Total Liabilities	13,100	(2,519)	2,401	12,982
Equity				
Share Capital	950			950
Contributed Surplus			(4)	(4)
Retained Earnings	6,136		(998)	5,138
Accumulated Other Comprehensive (Loss) Income	(108)		99	(9)
Total equity attributable to Shareholders of the Company	6,978		(903)	6,075
Non-Controlling Interests		2,457	(500)	1,957
Total Equity	6,978	2,457	(1,403)	8,032
Total Liabilities and Equity	$ 20,078	$ (62)	$ 998	$ 21,014

Reconciliation of Consolidated Statements of Earnings

(millions of Canadian dollars) For the 52 weeks ended Dec. 31, 2010

Accounts	CGAAP Balance	IFRS Reclassifications	IFRS Adjustments	IFRS Balance
Revenue	$ 32,008		$ (161)	$ 31,847
Operating Expenses				
Cost of inventories sold	23,775		143	23,918
Selling, administrative and other expenses	6,084	$ (6,084)		
Depreciation and amortization	666	(666)		
Selling, general and administrative expenses		6,750	(389)	6,361
	30,525		(246)	30,279
Operating Income	1,483		85	1,568
Net interest expense and other financing charges	388		83	471
Earnings Before Income Taxes	1,095		2	1,097
Income Taxes	370		24	394
	725		(22)	703
Minority Interest	273	(273)		
Net Earnings	$ 452	$ 273	$ (22)	$ 703
Net Earnings Attributable to:				
Shareholders of the Company				452
Non-Controlling Interests			(22)	251
Net Earnings			$ (22)	$ 703
Net Earnings per Common Share ($)				
Basic	$ 3.16		$	$ 3.16
Diluted	$ 3.14		$ (0.22)	$ 2.92

Reconciliation of Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) For the 52 weeks ended Dec. 31, 2010

Accounts	CGAAP Balance	IFRS Reclassifications	IFRS Adjustments	IFRS Balance
Net earnings	$ 452	$ 273	$ (22)	$ 703
Foreign currency translation adjustment	(28)		1	(27)
	(28)		1	(27)
Net unrealized (loss) gain on available-for-sale financial assets	(8)	(4)	12	
Reclassification of loss (gain) on available-for-sale financial assets to net earnings	8	5	(13)	
		1	(1)	
Net gain (loss) on derivatives designated as cash flow hedges	1		(3)	(2)
Reclassification of (gain) loss on derivatives designated as cash flow hedges to net earnings	(6)	(3)	15	6
	(5)	(3)	12	4
Net defined benefit plan actuarial losses			(98)	(98)
Other comprehensive loss	(33)	(2)	(86)	(121)
Comprehensive Income (Loss)	$ 419	$ 271	$ (108)	$ 582
Comprehensive Income Attributable to:				
Shareholders of the Company			$ (56)	$ 363
Non-Controlling Interests			$ (52)	$ 219

Reconciliation of Consolidated Balance Sheets

(millions of Canadian dollars) As at Dec. 31, 2010

Accounts	CGAAP Balance	IFRS Reclassifications	IFRS Adjustments	IFRS Balance
Assets				
Current Assets				
Cash and cash equivalents	$ 1,528		$ (75)	$ 1,453
Short term investments	3,234		19	3,253
Accounts receivable	820	$ (380)	22	462
Credit card receivables		380	1,617	1,997
Inventories	2,208		(158)	2,050
Income taxes recoverable	2	(2)		
Future income taxes	61	(61)		
Prepaid expenses and other assets	88		3	91
Assets held for sale		73	(2)	71
Total Current Assets	7,941	10	1,426	9,377
Fixed Assets	9,584	(162)	(599)	8,823
Investment Properties		89	(15)	74
Goodwill and Intangible Assets	1,571		(17)	1,554
Deferred Income Taxes		(2)	313	311
Future Income Taxes	33	(33)		
Security Deposits	435			435
Franchise Loans Receivable			314	314
Other Assets	1,290		(482)	808
Total Assets	$ 20,854	$ (98)	$ 940	$ 21,696
Liabilities				
Current Liabilities				
Bank indebtedness	$ 4		$ 7	$ 11
Trade and other payables	4,717	$ (93)	175	4,799
Provisions		93	(1)	92
Income taxes payable	20	(2)	(6)	12
Short term debt	336		535	871
Long term debt due within one year	733		469	1,202
Total Current Liabilities	5,810	(2)	1,179	6,987
Provisions		74	21	95
Long Term Debt	5,129		985	6,114
Deferred Income Taxes	311	(96)	(53)	162
Other Liabilities	655	(74)	232	813
Capital Securities	221			221
Minority Interest	2,596	(2,596)		
Total Liabilities	14,722	(2,694)	2,364	14,392
Equity				
Share Capital	950			950
Contributed Surplus			(14)	(14)
Retained Earnings	5,307		(995)	4,312
Accumulated Other Comprehensive (Loss) Income	(125)		101	(24)
Total equity attributable to Shareholders of the Company	6,132		(908)	5,224
Non-Controlling Interests		2,596	(516)	2,080
Total Equity	6,132	2,596	(1,424)	7,304
Total Liabilities and Equity	$ 20,854	$ (98)	$ 940	$ 21,696

Earnings Coverage Exhibit to the Unaudited Interim Period Condensed Consolidated Financial Statements

The following is the Company's updated earnings coverage ratio for the rolling 52 week period ended June 18, 2011 in connection with the Company's Short Form Base Shelf Prospectus dated May 25, 2011.

Earnings coverage on financial liabilities	2.64 times

The earnings coverage ratio on financial liabilities is equal to net earnings attributable to shareholders of the Company before interest on short term debt, interest on long term debt, dividends on capital securities and income taxes divided by interest on short term debt, interest on long term debt and dividends on capital securities and preferred shares as shown in the notes to the consolidated financial statements of the Company for the period.

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 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

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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 Centre section of the Company's website.

This Quarterly Report includes selected information on Loblaw Companies Limited, a 62.8%-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 29, 2011 at 11:00 a.m. (EST). To access via teleconference, please dial (647) 427-7450. The playback will be made available two hours after the event at (416) 849-0833, passcode: 78583094#. To access via audio webcast, please visit the "Investor Centre" section of www.weston.ca. Pre-registration will be available.

Ce rapport est disponible en français.

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