Q3

2011

Quarterly Report to Shareholders

George Weston Limited

40 Weeks Ended October 8, 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:

- 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, including the components of Loblaw Companies Limited's ("Loblaw") Enterprise Resource Planning system implementation;
- the inability of the Company's information technology infrastructure to support the requirements of the Company's business;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- failure to execute successfully and in a timely manner the Company's major initiatives, including the implementation of strategies and introduction of innovative and reformulated products or new and renovated stores;
- unanticipated results associated with the Company's strategic initiatives, including the impact of acquisitions or dispositions of businesses on the Company's future revenues and earnings;
- the inability of the Company's supply chain to service the needs of the Company's stores;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements which could lead to work stoppages;
- changes to the legislative/regulatory environment in which the Company operates, including changes to the regulation of generic prescription drug prices and the reduction of reimbursement under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- failure to comply with laws and regulations affecting the Company and its businesses;
- 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 common shares;
- changes in the Company's income, commodity, other tax and regulatory liabilities including changes in tax laws, regulations 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 records 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 third quarter 2011 adjusted basic net earnings per common share[1] were $1.44 compared to $1.26 in the same period in 2010, an increase of $0.18. The increase was primarily attributable to the improvement in the operating performance of the Company's two operating segments, Weston Foods and Loblaw Companies Limited ("Loblaw"), and decreases in both net interest expense and other financing charges and income tax expense.

(unaudited)	16 Weeks Ended			40 Weeks Ended		
($ millions except where otherwise indicated)	**Oct. 8, 2011**	Oct. 9, 2010	Change	**Oct. 8, 2011**	Oct. 9, 2010	Change
Sales	**$ 10,061**	$ 9,826	2.4%	**$ 24,740**	$ 24,472	1.1%
Operating income	**$ 557**	$ 494	12.8%	**$ 1,257**	$ 1,201	4.7%
Operating margin	**5.5%**	5.0%		**5.1%**	4.9%	
Adjusted operating income[1]	**$ 507**	$ 489	3.7%	**$ 1,327**	$ 1,281	3.6%
Adjusted operating margin[1]	**5.0%**	5.0%		**5.4%**	5.2%	
Net interest expense and other financing charges	**$ 94**	$ 126	(25.4)%	**$ 258**	$ 384	(32.8)%
Net earnings attributable to shareholders of the Company	**$ 264**	$ 176	50.0%	**$ 526**	$ 341	54.3%
Basic net earnings per common share ($)	**$ 1.94**	$ 1.26	54.0%	**$ 3.81**	$ 2.38	60.1%
Adjusted basic net earnings per common share ($)[1]	**$ 1.44**	$ 1.26	14.3%	**$ 3.85**	$ 3.17	21.5%
Adjusted EBITDA[1]	**$ 743**	$ 697	6.6%	**$ 1,901**	$ 1,797	5.8%
Adjusted EBITDA margin[1]	**7.4%**	7.1%		**7.7%**	7.3%	
Net debt[1]	**$ 3,465**	$ 2,497	38.8%	**$ 3,465**	$ 2,497	38.8%

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, a commodity derivatives fair value adjustment at Weston Foods, foreign currency translation gains and losses, the impact of share-based compensation net of equity derivatives, net insurance proceeds recorded by Weston Foods, a gain related to the sale of a portion of a Loblaw property and the effect of certain prior years' commodity tax matters at Loblaw. 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 24.
(2) To be read in conjunction with "Forward-Looking Statements".

OPERATING SEGMENTS

Weston Foods

Weston Foods sales in the third quarter of 2011 increased by 10.3% to $545 million, supported by volume growth of 5.7%, 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 10.0% and 7.5%, respectively, while foreign currency translation negatively impacted sales growth by approximately 2.0%. Excluding the acquisitions and foreign currency translation, sales increased by 2.3% due to the positive impact of higher pricing across key product categories of 4.1%, partially offset by a decrease in volume of 1.8%.

Weston Foods operating income in the third quarter of 2011 was $77 million compared to $116 million in the same period in 2010 and operating margin was 14.1% compared to 23.5% in the same period in 2010.

Weston Foods adjusted operating income[(1)] was $87 million in the third quarter of 2011 compared to $85 million in the same period in 2010, an increase of 2.4%. Weston Foods adjusted operating margin[(1)] was 16.0% compared to 17.2% 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. These positive impacts were substantially offset in the third quarter by significant increases in commodity and fuel costs, which had a negative impact on adjusted operating income[(1)] and adjusted operating margin[(1)] in the third quarter of 2011. Weston Foods adjusted operating income[(1)] excludes restructuring and other charges, a commodity derivatives fair value adjustment, the impact of share-based compensation net of equity derivatives and net insurance proceeds. 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

In the third quarter of 2011, Loblaw's continued improvement in execution helped to drive sales while adjusted EBITDA margin[(1)] and expenses remained on trend. As the infrastructure program progresses, going forward Loblaw expects the related investments to negatively impact operating income. With its initiatives tracking to plan, Loblaw looks forward to the ongoing leadership of its new President, Vicente Trius, who is now firmly established in his role.

Loblaw sales in the third quarter of 2011 increased by 2.0% to $9,727 million compared to the same period in 2010. Same-store retail sales growth was 1.3% (2010 – 0.4% decline). Sales growth in food was moderate, sales in drugstore declined marginally, gas bar sales growth was strong, sales in general merchandise, excluding apparel, declined moderately and sales in apparel increased moderately. Loblaw experienced moderate average quarterly internal food price inflation during the third quarter of 2011, which was lower than the average quarterly national food price inflation of 4.9% (2010 – 1.3%) as measured by "The Consumer Price Index for Food Purchased from Stores". In the third quarter of 2010, Loblaw's average quarterly internal food price index was flat. Loblaw sales in the third quarter of 2011 were also positively impacted by an increase in Financial Services segment revenue driven by increased credit card transaction values resulting in higher interchange fee income when compared to the same period in 2010.

(1) See non-GAAP financial measures on page 24.

Loblaw operating income in the third quarter of 2011 increased by 8.3% to $419 million from $387 million in the same period in 2010 and operating margin was 4.3% compared to 4.1% in the same period in 2010.

Loblaw adjusted operating income[(1)] was $420 million in the third quarter of 2011 compared to $404 million in the same period in 2010, an increase of 4.0%. Loblaw adjusted operating margin[(1)] was 4.3% compared to 4.2% in the same period in 2010. The increase in adjusted operating income[(1)] and adjusted operating margin[(1)] was mainly attributable to improved sales, continued labour and other operating cost efficiencies, improved control label profitability, improvements in the performance of Loblaw's investments in franchisees and growth and performance of Loblaw's franchise business, partially offset by increases in promotional pricing programs, foreign exchange losses, the incremental costs related to the investment in information technology and supply chain, increased transportation costs, costs associated with the transition of certain Ontario conventional stores to the more cost effective and efficient operating terms under collective agreements ratified in the third quarter of 2010 and the continued investment in the growth of Loblaw's Financial Services segment. Included in operating income in the third quarter of 2010 were ratification costs associated with the Ontario collective agreements. Loblaw adjusted operating income[(1)] excludes other charges, the impact of share-based compensation net of equity derivatives and a gain related to the sale of a portion of a property. See the "Non-GAAP Financial Measures" section of this MD&A 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 third quarter of 2011 decreased by $32 million to $94 million compared to the same period in 2010, primarily due to a $26 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 third quarter of 2011 decreased by $6 million compared to the same period in 2010, primarily as a result of a decrease in interest expense due to the repayment by Loblaw of its $350 million 6.50% Medium Term Note, partially offset by an increase in interest expense as a result of issuances under President's Choice Bank's, a subsidiary of Loblaw, Guaranteed Investment Certificate ("GIC") program.

INCOME TAXES

The effective income tax rate decreased to 24.2% in the third quarter of 2011 compared to 32.3% in the same period in 2010. The decrease was primarily due to non-taxable foreign currency translation gains (2010 – non-deductible foreign currency translation losses) recorded in the third quarter of 2011, reductions in the Federal and Ontario Statutory income tax rates and a decrease in income tax expense related to certain prior year income tax matters.

NET DEBT[(1)]

The Company's net debt[(1)] as at the end of the third quarter of 2011 was $3,465 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 dividends, including 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 driven by adjusted EBITDA[(1)].

(1) See non-GAAP financial measures on page 24.

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 continued sales growth and satisfactory operating performance with earnings reflecting seasonally lower operating margins. Weston Foods will continue to mitigate higher commodity and energy costs through pricing and continued cost reduction initiatives in an effort to achieve full year operating margins in line with those in 2010. Looking ahead to the first half of 2012, higher commodity and input costs are expected to continue to put pressure on operating margins when compared to the same period in 2011.

Loblaw remains committed to consistently improve in execution in an increasingly competitive environment. With an ongoing focus on the successful implementation of its information technology and supply chain, Loblaw continues to expect that these investments will negatively impact operating income for the remainder of 2011. Loblaw also expects additional costs associated with the transition of certain Ontario conventional stores under collective agreements and that there may be volatility in earnings with respect to fixed asset impairments. Evaluations of indicators, that may arise in the fourth quarter of 2011, will determine whether any impairment or recovery will be required.

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

[signed]

W. Galen Weston
Executive Chairman

[signed]

Paviter S. Binning
President

Toronto, Canada
November 21, 2011

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

The following Management's Discussion and Analysis ("MD&A") for George Weston Limited ("GWL") and its subsidiaries (collectively, the "Company") should be read in conjunction with the Company's third quarter 2011 unaudited interim period condensed consolidated financial statements and the accompanying notes on pages 32 to 71 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 third 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 November 21, 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 17 on page 52 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, a commodity derivatives fair value adjustment at Weston Foods, foreign currency translation gains and losses, the impact of share-based compensation net of equity derivatives, net insurance proceeds recorded by Weston Foods, a gain related to the sale of a portion of a Loblaw property and the effect of certain prior years' commodity tax matters at Loblaw. 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 24.

Sales Sales for the third quarter of 2011 increased 2.4% to $10,061 million from $9,826 million in the same period in 2010. On a year-to-date basis, sales increased 1.1% to $24,740 million from $24,472 million in 2010. The Company's third quarter year-over-year change in consolidated sales was impacted by each of its reportable operating segments as follows:

- Positively by 0.5% due to sales growth of 10.3%, supported by volume growth of 5.7%, at Weston Foods. The acquisition of Keystone Bakery Holdings, LLC ("Keystone") and ACE Bakery Ltd. ("ACE") in the third and fourth quarters of 2010, respectively, positively impacted sales growth and volume growth by approximately 10.0% and 7.5%, respectively, while foreign currency translation negatively impacted sales growth by approximately 2.0%. Excluding the acquisitions and foreign currency translation, sales increased by 2.3% due to the positive impact of higher pricing across key product categories of 4.1%, partially offset by a decrease in volume of 1.8%.

- Positively by 2.0% due to sales growth of 2.0% at Loblaw. Same-store retail sales growth was 1.3% (2010 – 0.4% decline). Sales growth in food was moderate, sales in drugstore declined marginally, gas bar sales growth was strong, sales in general merchandise, excluding apparel, declined moderately and sales in apparel increased moderately. Loblaw experienced moderate average quarterly internal food price inflation during the third quarter of 2011, which was lower than the average quarterly national food price inflation of 4.9% (2010 – 1.3%) as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI"). In the third quarter of 2010, Loblaw's average quarterly internal food price index was flat. Loblaw sales in the third quarter of 2011 were also positively impacted by an increase in Financial Services segment revenue driven by increased credit card transaction values resulting in higher interchange fee income when compared to the same period in 2010.

Operating Income Operating income in the third quarter of 2011 was $557 million compared to $494 million in the same period in 2010. Operating margin for the third quarter of 2011 was 5.5% compared to 5.0% in the same period in 2010. Adjusted operating income[(1)] in the third quarter of 2011 was $507 million compared to $489 million in the same period in 2010, an increase of $18 million or 3.7%. The Company's adjusted operating margin[(1)] was 5.0% in the third quarters of both 2011 and 2010.

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

- Positively by 0.4% due to an increase of 2.4% 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. These positive impacts were substantially offset in the third quarter by significant increases in commodity and fuel costs, which had a negative impact on adjusted operating income[(1)] and adjusted operating margin[(1)] in the third quarter of 2011. Weston Foods adjusted operating income[(1)] excludes restructuring and other charges, a commodity derivatives fair value adjustment, the impact of share-based compensation net of equity derivatives and net insurance proceeds. See the "Non-GAAP Financial Measures" section of this MD&A for more information on the Company's non-GAAP financial measures.

- Positively by 3.3% due to an increase of 4.0% in adjusted operating income[(1)] at Loblaw. The increase in adjusted operating income[(1)] and adjusted operating margin[(1)] was mainly attributable to improved sales, continued labour and other operating cost efficiencies, improved control label profitability, improvements in the performance of Loblaw's investments in franchisees and growth and performance of Loblaw's franchise business, partially offset by increases in promotional pricing programs, foreign exchange losses, the incremental costs related to the investment in information technology and supply chain, increased transportation costs, costs associated with the transition of certain Ontario conventional stores to the

(1) See non-GAAP financial measures on page 24.

more cost effective and efficient operating terms under collective agreements ratified in the third quarter of 2010 and the continued investment in the growth of Loblaw's Financial Services segment. Included in operating income in the third quarter of 2010 were ratification costs associated with the Ontario collective agreements. Loblaw adjusted operating income[(1)] excludes other charges, the impact of share-based compensation net of equity derivatives and a gain related to the sale of a portion of a property. 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 7.4% from 7.1% in the same period in 2010. The margin was positively impacted by Loblaw, partially offset by the decline in adjusted EBITDA margin[(1)] at Weston Foods when compared to the same period in 2010.

Year-to-date operating income for 2011 was $1,257 million compared to $1,201 million in 2010. Year-to-date operating margin for 2011 was 5.1% compared to 4.9% in 2010. Year-to-date adjusted operating income[(1)] for 2011 was $1,327 million compared to $1,281 million in the same period in 2010, an increase of $46 million or 3.6%. The Company's adjusted operating margin[(1)] for 2011 year-to-date increased to 5.4% from 5.2% 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 1.7% due to an increase of 11.8% 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. Significant increases in commodity and fuel costs in the third quarter of 2011 had a negative impact on year-to-date adjusted operating income[(1)] and adjusted operating margin[(1)]. Weston Foods adjusted operating income[(1)] excludes restructuring and other charges, a commodity derivatives fair value adjustment, the impact of share-based compensation net of equity derivatives and net insurance proceeds. See the "Non-GAAP Financial Measures" section of this MD&A for more information on the Company's non-GAAP financial measures.
- Positively by 1.9% due to an increase of 2.2% in adjusted operating income[(1)] at Loblaw. The increase in adjusted operating income[(1)] and adjusted operating margin[(1)] was mainly attributable to improved sales, continued labour and other operating cost efficiencies, improved control label profitability, improvements in the performance of Loblaw's investments in franchisees, improved shrink, growth and performance of Loblaw's franchise business, a stronger Canadian dollar, and the performance of Loblaw's T&T Supermarket Inc. ("T&T") business, partially offset by the incremental costs related to the investment in information technology and supply chain, increases in promotional pricing programs and transportation costs, the timing of vendor programs, costs associated with the transition of certain Ontario conventional stores to the more cost effective and efficient operating terms under collective agreements ratified in the third quarter of 2010 and the continued investment in the growth of Loblaw's Financial Services segment. Included in year-to-date 2010 operating income were ratification costs associated with the Ontario collective agreements. Loblaw adjusted operating income[(1)] excludes other charges, the impact of share-based compensation net of equity derivatives, the effect of certain prior years' commodity tax matters and a gain related to the sale of a portion of a property. 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 year-to-date adjusted EBITDA margin[(1)] increased to 7.7% from 7.3% in 2010. The margin was positively impacted by both Weston Foods and Loblaw when compared to 2010.

(1) See non-GAAP financial measures on page 24.

Net Interest Expense and Other Financing Charges

Net interest expense and other financing charges in the third quarter of 2011 decreased by $32 million to $94 million compared to the same period in 2010, primarily due to a $26 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 third quarter of 2011 decreased by $6 million compared to the same period in 2010, as a result of a decrease in interest expense due to the repayment by Loblaw of its $350 million 6.50% Medium Term Note ("MTN"), partially offset by an increase in interest expense as a result of issuances under President's Choice Bank's ("PC Bank"), a subsidiary of Loblaw, Guaranteed Investment Certificate ("GIC") program.

Year-to-date net interest expense and other financing charges decreased by $126 million to $258 million compared to 2010, primarily due to a $101 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 $25 million due to the decrease in Loblaw long term debt in the first quarter of 2011 and an increase in net interest income on Loblaw financial derivative instruments.

Income Taxes

The effective income tax rate decreased to 24.2% in the third quarter of 2011 compared to 32.3% in the same period in 2010 and decreased on a year-to-date basis to 25.3% in 2011 compared to 35.0% in 2010. The decreases in the effective income tax rates in the third quarter of 2011 and year-to-date compared to the same periods in 2010 were due to non-taxable foreign currency translation gains (2010 – non-deductible foreign currency translation losses) recorded in the third quarter of 2011 and year-to-date, reductions in the Federal and Ontario Statutory income tax rates and decreases in income tax expense related to certain prior year income tax matters. The year-to-date 2011 effective income tax rate was also impacted by the utilization of realized foreign currency losses recorded in the second quarter of 2011.

In August 2011, the Department of Finance released legislative proposals relating to the taxation of Canadian corporations with foreign affiliates whereby the Company (excluding Loblaw) will no longer be able to recognize a net tax benefit on realized foreign currency losses recognized by its foreign affiliates to the extent such losses cannot be offset against realized foreign currency gains. As at the end of the third quarter of 2011, the Company (excluding Loblaw) had $8 million in current tax assets relating to realized foreign currency losses that will be expensed once the proposals are substantively enacted.

Net Earnings Attributable to Shareholders of the Company

Net earnings attributable to shareholders of the Company for the third quarter of 2011 were $264 million compared to $176 million and basic net earnings per common share were $1.94 compared to $1.26 in the same period in 2010. Year-to-date net earnings attributable to shareholders of the Company were $526 million compared to $341 million and basic net earnings per common share were $3.81 compared to $2.38 in 2010.

Adjusted basic net earnings per common share(1) in the third quarter of 2011 increased to $1.44 compared to $1.26 in the same period in 2010. Year-to-date adjusted basic net earnings per common share(1) increased to $3.85 compared to $3.17 in 2010. The increases were primarily attributable to the improvements in the operating performance of the Company's two operating segments, Weston Foods and Loblaw, and decreases in both net interest expense and other financing charges and income tax expense.

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

(1) See non-GAAP financial measures on page 24.

REPORTABLE OPERATING SEGMENTS

Weston Foods

(unaudited)	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 8, 2011**	Oct. 9, 2010	**Oct. 8, 2011**	Oct. 9, 2010
Sales	**$ 545**	$ 494	**$ 1,362**	$ 1,238
Operating income	**$ 77**	$ 116	**$ 151**	$ 228
Operating margin	**14.1%**	23.5%	**11.1%**	18.4%
Adjusted operating income(1)	**$ 87**	$ 85	**$ 209**	$ 187
Adjusted operating margin(1)	**16.0%**	17.2%	**15.3%**	15.1%
Adjusted EBITDA(1)	**$ 105**	$ 101	**$ 254**	$ 227
Adjusted EBITDA margin(1)	**19.3%**	20.4%	**18.6%**	18.3%

As previously noted, the Company purchased Keystone, a U.S. manufacturer and supplier of frozen cupcakes, doughnuts and cookies on September 24, 2010 and purchased ACE, a Canadian manufacturer and supplier of artisan and European-style rustic bread varieties, on November 1, 2010. The results of Keystone and ACE from their respective dates of acquisition were included in Weston Foods results. The discussion of sales results "excluding acquisitions" below removes the impact of incremental sales for 52 weeks from the date of purchase.

Sales Weston Foods sales in the third quarter of 2011 increased by 10.3% to $545 million, supported by volume growth of 5.7%, compared to the same period in 2010. The acquisition of Keystone and ACE positively impacted sales growth and volume growth by approximately 10.0% and 7.5%, respectively, while foreign currency translation negatively impacted sales growth by approximately 2.0%. Excluding the acquisitions and foreign currency translation, sales increased by 2.3% due to the positive impact of higher pricing across key product categories of 4.1%, partially offset by a decrease in volume of 1.8%.

On a year-to-date basis, sales of $1,362 million increased by 10.0%, supported by volume growth of 7.4%, compared to 2010. The acquisition of Keystone and ACE positively impacted sales growth and volume growth by approximately 10.6% and 8.2%, respectively, while foreign currency translation negatively impacted sales growth by approximately 2.4%. Excluding the acquisitions and foreign currency translation, sales increased by 1.8% due to the positive impact of higher pricing across key product categories of 2.6%, partially offset by a decrease in volume of 0.8%.

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

Fresh bakery sales increased by approximately 0.9% in the third quarter and 0.2% on a year-to-date basis compared to the same periods in 2010, due to the positive impact of higher pricing across key product categories partially offset by lower sales volumes. Although overall volumes declined 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*, *Gadoua MultiGo* Flat Bagels, Pitas and Tortillas, and the *Première Fournée de Weston* line of artisan inspired breads, contributed positively to branded sales in the third quarter of 2011 and year-to-date. In addition, late in the third quarter of 2011, Weston Foods relaunched the *Wonder* and *Gadoua MultiGo* lines of breads that are free of artificial additives including preservatives, colours and flavours.

Frozen bakery sales increased by approximately 27.9% in the third quarter of 2011 and 32.4% 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 3.9% in the third quarter and 4.8% on a year-to-date basis due to higher sales volumes and higher pricing.

(1) See non-GAAP financial measures on page 24.

Biscuit sales, principally cookies, crackers, wafers and ice cream cones, increased by approximately 2.2% in the third quarter of 2011 compared to the same period in 2010 due to the positive impact of higher sales in cookies and crackers, partially offset by lower sales in wafers, cones and cups compared to the same period in 2010. On a year-to-date basis sales decreased 0.7%, compared to 2010, mainly due to lower sales in wafers, cones and cups, partially offset by higher sales in cookies and crackers compared to the same period in 2010.

Operating Income Operating income in the third quarter of 2011 was $77 million compared to $116 million in the same period in 2010. Operating margin for the third quarter of 2011 was 14.1% compared to 23.5% in the same period in 2010. Year-to-date operating income was $151 million compared to $228 million in 2010. Year-to-date operating margin was 11.1% compared to 18.4% in 2010.

Adjusted operating income(1) increased by $2 million, or 2.4%, to $87 million in the third quarter of 2011 from $85 million in the same period in 2010. Adjusted operating margin(1) was 16.0% compared to 17.2% in the same period in 2010. On a year-to-date basis, adjusted operating income(1) increased by $22 million, or 11.8% to $209 million in 2011 from $187 million in 2010. Adjusted operating margin(1) on a year-to-date basis was 15.3% compared to 15.1% in 2010.

Adjusted operating income(1) in both the third 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. These positive impacts were substantially offset in the third quarter by significant increases in commodity and fuel costs, which had a negative impact on adjusted operating income(1) and adjusted operating margins(1) in the third quarter of 2011 and year-to-date. Weston Foods adjusted operating income(1) excludes restructuring and other charges, a commodity derivatives fair value adjustment, the impact of share-based compensation net of equity derivatives and net insurance proceeds. 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, decreased in the third 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 and in the third quarter of 2011, a charge of $2 million (2010 – income of $4 million) was recorded in operating income related to these activities. The income recorded in the third quarter of 2010 was a reversal of $4 million recorded in the first quarter of 2010 relating to certain employee termination benefits which were no longer expected to be incurred. Year-to-date, a charge of $8 million (2010 – $5 million) was recorded in operating income related to restructuring activities. The 2011 year-to-date charge was primarily related to the ratification of a new collective agreement in conjunction with the acquisition of Colonial Cookies, a biscuit manufacturer in Ontario, which was recorded in the first quarter of 2011.

Adjusted EBITDA(1) increased by $4 million to $105 million in the third quarter of 2011 from $101 million in the same period in 2010. Adjusted EBITDA margin(1) decreased in the third quarter of 2011 to 19.3% from 20.4% in the same period in 2010. On a year-to-date basis, adjusted EBITDA(1) increased by $27 million to $254 million in 2011 from $227 million in 2010. Adjusted EBITDA margin(1) increased to 18.6% in 2011 from 18.3% in 2010.

(1) See non-GAAP financial measures on page 24.

Loblaw

(unaudited)	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 8, 2011**	Oct. 9, 2010	**Oct. 8, 2011**	Oct. 9, 2010
Sales	**$ 9,727**	$ 9,535	**$ 23,877**	$ 23,717
Operating income	**$ 419**	$ 387	**$ 1,063**	$ 1,017
Operating margin	**4.3%**	4.1%	**4.5%**	4.3%
Adjusted operating income(1)	**$ 420**	$ 404	**$ 1,118**	$ 1,094
Adjusted operating margin(1)	**4.3%**	4.2%	**4.7%**	4.6%
Adjusted EBITDA(1)	**$ 638**	$ 596	**$ 1,647**	$ 1,570
Adjusted EBITDA margin(1)	**6.6%**	6.3%	**6.9%**	6.6%

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

Sales Sales in the third quarter of 2011 increased by 2.0% to $9,727 million compared to the same period in 2010. The change in retail sales in the third quarter of 2011 when compared to the same period in 2010 were driven by the following factors:

- same-store retail sales growth was 1.3% (2010 – 0.4% decline);
- sales growth in food was moderate;
- sales in drugstore declined marginally, due to the continued impact of new generic versions of certain prescription drugs as well as regulatory changes enacted across several provinces throughout 2010 and 2011;
- 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 moderately due to continued reductions in square footage and optimization of range and assortment of products;
- increased apparel square footage led to a moderate increase in sales;
- Loblaw experienced moderate average quarterly internal food price inflation during the third quarter of 2011, which was lower than the average quarterly national food price inflation of 4.9% (2010 – 1.3%) as measured by CPI. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores. In the third quarter of 2010, Loblaw's average quarterly internal food price index was flat; and
- during the third quarter of 2011, 7 corporate and franchised stores were opened and 2 corporate and franchised stores were closed, resulting in a net increase of 0.1 million square feet, or 0.2%.

Sales in the third quarter of 2011 were also positively impacted by an increase in Financial Services segment revenue of $6 million when compared to the same period in 2010. The increase was primarily driven by increased credit card transaction values in the third quarter of 2011 resulting in higher interchange fee income.

On a year-to-date basis, sales increased by 0.7% to $23,877 million compared to $23,717 million in 2010. The following factors, in addition to the quarterly factors mentioned above, further explain this increase:

- same-store retail sales growth was 0.4% (2010 – 0.3% decline); and
- 16 corporate and franchised stores were opened and 6 corporate and franchised stores were closed, resulting in a net increase of 0.3 million square feet, or 0.6%.

(1) See non-GAAP financial measures on page 24.

The year-to-date increase in sales when compared to 2010 was partially offset by a decrease of $3 million in Loblaw's Financial Services segment revenue. The decrease was primarily due to lower credit card interest revenue driven by increased customer payment rates resulting from changing customer behaviours and more stringent credit risk management policies implemented in 2009, partially offset by increased interchange fee income as a result of higher credit card transaction values. Although these practices resulted in lower year-to-date revenues, they favourably impacted the annualized credit loss rate.

Operating Income Operating income in the third quarter of 2011 was $419 million compared to $387 million in the same period in 2010. Operating margin for the third quarter of 2011 was 4.3% compared to 4.1% in the same period in 2010.

Adjusted operating income[(1)] increased by 4.0% to $420 million in the third quarter of 2011 compared to $404 million in the same period in 2010. Adjusted operating margin[(1)] was 4.3% compared to 4.2% in the same period in 2010.

Gross profit, generated by Loblaw's retail segment, increased by $11 million to $2,071 million in the third quarter of 2011 compared to $2,060 million in the same period in 2010. Gross profit percentage was 21.7% in the third quarter of 2011 compared to 22.0% in the same period in 2010. The decline in gross profit percentage compared to the same period in 2010 was primarily driven by a higher penetration of lower margin gas bar sales and increased fuel costs. The $11 million increase in gross profit in the third quarter of 2011 was mainly attributable to improved sales, improved control label profitability, a stronger Canadian dollar, growth and performance of Loblaw's franchise business and the shift of pharmaceutical professional allowances from selling, general and administrative expenses to gross profit. Increases in promotional pricing programs and transportation costs partially offset these improvements.

The increase in adjusted operating income[(1)] and adjusted operating margin[(1)] was mainly attributable to continued labour and other operating cost efficiencies, improvements in the performance of Loblaw's investments in franchisees and increased gross profit as described above. These improvements were partially offset by foreign exchange losses, the incremental costs related to the investment in information technology and supply chain of $24 million, including incremental depreciation and amortization of $15 million, costs of $12 million related to the transition of certain Ontario conventional stores to the more cost effective and efficient operating terms of collective agreements ratified in the third quarter of 2010 and significant marketing investments and customer acquisition costs, consistent with Loblaw's continued investment in the growth of its Financial Services segment. Included in operating income in the third quarter of 2010 were costs of $17 million associated with the ratification of Ontario collective agreements. Loblaw adjusted operating income[(1)] excludes other charges, the impact of share-based compensation net of equity derivatives and a gain related to the sale of a portion of property. 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)] in the third quarter of 2011 increased by $42 million, or 7.0%, to $638 million from $596 million, compared to the same period in 2010. Adjusted EBITDA margin[(1)] was 6.6% compared to 6.3% in the same period in 2010.

Year-to-date operating income for 2011 was $1,063 million compared to $1,017 million in 2010. Year-to-date operating margin for 2011 was 4.5% compared to 4.3% in 2010.

Year-to-date adjusted operating income[(1)] increased by 2.2% to $1,118 million in 2011 compared to $1,094 million in 2010. Adjusted operating margin[(1)] was 4.7% in 2011 and 4.6% in 2010, respectively.

(1) See non-GAAP financial measures on page 24.

Year-to-date gross profit, generated by Loblaw's retail segment, increased by $47 million to $5,251 million compared to $5,204 million in 2010. Year-to-date gross profit percentage was 22.4% compared to 22.3% in 2010. In addition to the quarterly factors described above, year-to-date gross profit and gross profit percentage were also positively impacted by improved shrink and the performance of the Loblaw's T&T business, partially offset by the timing of vendor programs.

The increase in year-to-date adjusted operating income[1] and adjusted operating margin[1] was mainly attributable to continued labour and other operating cost efficiencies, improvements in the performance of Loblaw's investments in franchisees and improved gross profit as described above. These improvements were partially offset by the incremental costs related to the investment in information technology and supply chain of $73 million, including incremental depreciation and amortization of $39 million, foreign exchange losses, costs of $12 million related to the transition of certain Ontario conventional stores to the more cost effective and efficient operating terms of collective agreements ratified in the third quarter of 2010 and significant marketing investments and customer acquisition costs, consistent with Loblaw's continued investment in the growth of its Financial Services segment. Included in year-to-date 2010 operating income were costs of $17 million associated with the ratification of Ontario collective agreements. Loblaw adjusted operating income[1] excludes other charges, the impact of share-based compensation net of equity derivatives, the effect of certain prior years' commodity tax matters and a gain related to the sale of a portion of a property. 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 $77 million, or 4.9%, to $1,647 million in 2011 from $1,570 million in 2010. Adjusted EBITDA margin[1] increased to 6.9% in 2011 from 6.6% in 2010.

In the third quarter of 2011, a charge of nil (2010 – $8 million) was recorded in operating income related to changes in Loblaw's distribution network. Year-to-date, a charge of $31 million (2010 – $52 million) was recorded and included $23 million (2010 – $52 million) related to changes in Loblaw's distribution network and $8 million (2010 – nil) related to an internal realignment of Loblaw's business centered around Loblaw's two primary store formats, Discount and Conventional. Included in the third quarter of 2010 and year-to-date charges related to changes in Loblaw's distribution network is $3 million and $26 million, respectively, due to an asset impairment.

CONSOLIDATED FINANCIAL CONDITION

Net Debt[1] The Company's net debt[1] as at the end of the third quarter of 2011 was $3,465 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 dividends, including 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 driven by adjusted EBITDA[1].

Financial Ratios The Company's net debt[1] to equity attributable to shareholders of the Company ratio at the end of the third quarter of 2011 was 0.63:1 compared to 0.41:1 at the end of the third 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 third 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 1.42 times at the end of the third 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 third quarter of 2010 due to the Company's transition to IFRS.

(1) See non-GAAP financial measures on page 24.

The interest coverage ratio in the third quarter of 2011 increased to 5.9 times compared to 3.9 times in the third quarter of 2010. On a year-to-date basis, the interest coverage ratio increased to 4.9 times in 2011 compared to 3.1 times in 2010. The increases were primarily due to the decreases in net interest expense and other financing charges which included non-cash income of $19 million (2010 – a non-cash charge of $7 million) and $33 million (2010 – a non-cash charge of $68 million) in the third 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 1.3 times for the third quarter of 2011 and year-to-date.

The Company's rolling year return on average net assets[1] at the end of the third quarter of 2011 and at year end 2010 was 13.0%. The Company's rolling year return on average common shareholders' equity attributable to shareholders of the Company was 11.8% at the end of the third quarter of 2011 compared to 8.4% at year end 2010. The increase was primarily due to the increase in rolling year net earnings available to common shareholders. These rolling year ratios were not available at the end of the third quarter of 2010 due to the Company's transition to IFRS.

Dividends On October 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 September 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 third 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 January 1, 2012, were declared by GWL's Board of Directors. In addition, dividends of $0.36 per share for Series I preferred shares, payable on December 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 third 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 $56.22 (2010 – $56.27), including nil (2010 – $0.05) per common share of interest expense. As at the end of the third quarter of 2011, the cumulative interest and unrealized market loss of $29 million (2010 – $23 million) was included in trade and other payables.

As at the end of the third 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 third quarter of 2011, the unrealized market loss of $49 million (2010 – $44 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.

(1) See non-GAAP financial measures on page 24.

LIQUIDITY AND CAPITAL RESOURCES

Major Cash Flow Components

(unaudited)	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 8, 2011**	Oct. 9, 2010	**Oct. 8, 2011**	Oct. 9, 2010
Cash flows from operating activities	**$ 771**	$ 800	**$ 1,305**	$ 1,634
Cash flows (used in) from investing activities	**$ (654)**	$ (750)	**$ 454**	$ (1,135)
Cash flows used in financing activities	**$ (177)**	$ (272)	**$ (1,824)**	$ (670)

Cash Flows from Operating Activities Third quarter 2011 cash flows from operating activities were $771 million compared to $800 million in the same period in 2010. On a year-to-date basis, cash flows from operating activities were $1,305 million compared to $1,634 million in 2010.

The year-to-date decrease compared to 2010 was mainly due to more stringent vendor management policies related to Loblaw's trade and other payables which resulted in a reduction in non-cash working capital. These policies were held constant in 2011 and therefore did not impact the change in non-cash working capital. The year-to-date decrease was partially offset by an increase in adjusted EBITDA(1) and a decrease in income taxes paid.

Cash Flows (used in) from Investing Activities Third quarter 2011 cash flows used in investing activities were $654 million compared to cash flows used in investing activities of $750 million in the same period in 2010. On a year-to-date basis, cash flows from investing activities were $454 million compared to cash flows used in investing activities of $1,135 million in 2010.

The decreases in cash flows used in investing activities in the third quarter of 2011 and year-to-date when compared to the same periods in 2010 were due to the acquisition of Keystone by Weston Foods in the third quarter of 2010, fewer fixed asset purchases and lower cash inflows from security deposits in 2011. Short term investments partially offset the decrease in the third quarter of 2011. On a year-to-date basis, short term investments contributed to the decrease as a result of the $1.0 billion special one-time common share dividend as discussed in the cash flows used in financing activities section below.

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 Third quarter 2011 cash flows used in financing activities were $177 million compared to $272 million in the same period in 2010. On a year-to-date basis, cash flows used in financing activities were $1,824 million compared to $670 million in 2010.

The decrease in the third quarter of 2011 compared to the same period in 2010 was primarily due to the issuance of GICs by PC Bank in the third quarter of 2011 and a decrease in interest paid, partially offset by the repurchase of common shares by Loblaw pursuant to its Normal Course Issuer Bid ("NCIB") program.

(1) See non-GAAP financial measures on page 24.

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 and the issuance of $259 million in GICs by PC Bank in 2011. The increased repayments of long term debt in 2011 were partially offset by the securitization of credit card receivables in 2011 and the repurchase of securitized credit card receivables in 2010.

Post-Employment Defined Benefit Pension Plan Contributions As at the end of the third quarter of 2011, the Company contributed $31 million (2010 – $39 million) and on a year-to-date basis, contributed $97 million (2010 – $93 million) to its registered funded defined benefit pension plans. The Company expects to contribute approximately $23 million to these plans during the remainder of 2011. The actual amount contributed 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. The Company (excluding Loblaw) does not foresee any impediments in obtaining financing to satisfy its long term obligations.

Subsequent to the end of the third quarter of 2011, GWL issued $350 million principal amount of 5 year unsecured MTN, Series 2-A pursuant to its MTN, Series 2 program. Interest on the notes is payable semi-annually at a fixed rate of 3.78%. The notes are unsecured obligations and are redeemable at the option of GWL. Also subsequent to the end of the third quarter of 2011, GWL's $300 million 6.45% MTN matured and was repaid.

Loblaw expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against its $800 million 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. In addition to cash and short term investments, this facility is the primary source of liquidity for Loblaw and accrues interest based on short term floating interest rates. As at the end of the third quarters of 2011 and 2010, Loblaw had not drawn on its committed credit facility.

During the third quarter of 2011, Loblaw amended its agreements for the committed credit facility and its U.S. $300 million private placement notes to include certain relevant IFRS adjustments in computing the financial metrics that are used in calculating Loblaw's financial covenants. These amendments largely served to neutralize the impact of IFRS on covenant calculations. As at the end of the third quarter of 2011, Loblaw was in compliance with all of its covenants.

PC Bank also obtains short term and long term financing through its GIC program. During the third quarter of 2011 and year-to-date, PC Bank sold $80 million (2010 – $7 million) and $259 million (2010 – $7 million) in GICs through independent brokers, respectively. As at the end of the third quarter of 2011, Loblaw had recorded in long term debt $274 million (2010 – $7 million) of outstanding GICs, of which $47 million (2010 – $3 million) was recorded as long term debt due within one year. During the third quarter of 2011, $3 million (2010 – nil) of GICs matured and were repaid.

The credit ratings of GWL and Loblaw, as disclosed in the Company's 2010 Annual Report, did not change in the third quarter of 2011. Subsequent to the end of the third quarter of 2011, Standard and Poor's reaffirmed its credit ratings and outlooks and Dominion Bond Rating Service reaffirmed its credit ratings and trends for both GWL and Loblaw.

Subsequent to the end of the third quarter of 2011, GWL and Loblaw entered into agreements to cash collateralize certain uncommitted credit facilities up to amounts of $40 million and $85 million, respectively, resulting in lower costs.

Independent Securitization Trusts PC Bank 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 certain independent securitization trusts pursuant to co-ownership agreements. PC Bank purchases credit card receivables from and sells credit card receivables to these independent securitization trusts from time to time depending on PC Bank's financing requirements. During the third quarter of 2011, PC Bank amended and extended the maturity date for one of its independent securitization trust agreements from the third quarter of 2012 to the third quarter of 2014, with no material impact to other terms and conditions.

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

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 third quarter of 2011 and year-to-date, GWL purchased for cancellation 14,864 (2010 – nil) of its common shares for $1 million (2010 – nil). During the third quarter of 2011 and year-to-date, Loblaw purchased for cancellation 526,267 (2010 – nil) and 606,267 (2010 – nil) of its common shares for $19 million (2010 – nil) and $22 million (2010 – nil), respectively.

During the second quarter of 2011, GWL and Loblaw renewed their NCIB programs to purchase on the Toronto Stock Exchange ("TSX"), or enter into equity derivatives to purchase, up to 6,454,276 and 14,096,437 of their common shares, respectively, representing approximately 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.

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)	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
	2011	2010	2011	2010	2011	2010	2010	2009 (CGAAP)
Sales	**$ 10,061**	$ 9,826	$ 7,531	$ 7,482	$ 7,148	$ 7,164	$ 7,375	$ 7,537
Net earnings attributable to shareholders of the Company[(1)]	**$ 264**	$ 176	$ 157	$ 128	$ 105	$ 37	$ 111	$ 82
Net earnings per common share ($)								
Basic[(2)]	**$ 1.94**	$ 1.26	$ 1.13	$ 0.91	$ 0.74	$ 0.21	$ 0.78	$ 0.56
Diluted[(2)]	**$ 1.93**	$ 1.21	$ 1.08	$ 0.85	$ 0.71	$ 0.14	$ 0.70	$ 0.55

(1) Net earnings attributable to shareholders of the Company includes net earnings from discontinued operations of $15 million and $3 million for the fourth quarter of 2009.
(2) Net earnings per common share includes net earnings per common share from discontinued operations of $0.03 for the fourth quarter of 2009.

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, 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;
- a gain related to the sale of a portion of a Loblaw property recorded in the third quarter of 2011;
- net insurance proceeds recorded by Weston Foods in the third quarter of 2011;
- 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;
- 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 GAAP.

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

There were no changes in the Company's internal control over financial reporting during the third 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, together constitute one of the largest technology infrastructure programs ever implemented by Loblaw and are 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 the second and third quarters of 2011 and subsequent to the end of the third quarter of 2011, Loblaw successfully rolled out the final foundational waves of its ERP system implementation to its merchandising organization which included a number of critical operating enhancements and expanded operating functionality related to its merchandising product listings. 2011 continues to be a critical year for the ERP system implementation with continued focus on ensuring the integrity of converted data while preparing for increased activity in the ERP system entering into 2012. Completing the ERP deployment will require continued focus and significant investment. 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 joined 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 and regulatory audits from various government and regulatory agencies on an on-going basis. As a result, from time to time, taxing and regulatory authorities may disagree with the positions and conclusions taken by the Company in its tax and regulatory filings or change legislation, which could lead to assessments or reassessments. These assessments or reassessments may have a material impact on the Company's financial statements in future periods. During the second quarter of 2011, Loblaw was advised by the Quebec Revenue Agency that it would 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 third quarter of 2011, Loblaw received the final reassessment from the Quebec Revenue Agency, which did not result in a material charge to the Company.

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.

Post-Employment Defined Benefit Contributions The Company manages the assets in its defined benefit pension plans by engaging professional investment managers who operate under prescribed investment policies and procedures in respect of permitted investments and asset allocations. The future contributions to the Company's defined benefit pension plans are impacted by a number of variables, including the investment performance of the plan assets and the discount rate used to value the liabilities of the plans. The Company regularly monitors and assesses plan performance and the impact of changes in participant demographics, changes in capital markets and other economic factors that may impact funding requirements, employee future benefit costs and actuarial assumptions.

During 2011, there were decreases in the discount rates and a lower than expected return on assets compared to the estimates determined at the beginning of the year. Accordingly, post-employment benefit assets and liabilities reflected on the Company's balance sheet were remeasured. The impact of these adjustments resulted in actuarial losses before income taxes recognized in other comprehensive loss of $157 million and $255 million in the third quarter of 2011 and year-to-date, respectively. If capital market returns continue to be below assumed levels, or if the discount rates do not increase, the Company may be required to make contributions to its registered funded defined benefit pension plans in excess of those currently expected in future years, which in turn may have a negative effect on the Company's financial performance and cash flows.

Labour Relations A majority of Loblaw's store level and distribution centre workforce is unionized. Renegotiating collective agreements may result in work stoppages or slowdowns, which could negatively affect the Company's financial performance, depending on their nature and duration. In 2011, 49 collective agreements affecting approximately 15,000 Loblaw colleagues and franchisee employees will expire including an agreement covering approximately 11,000 *nofrills* franchisee employees in Ontario which expired in June 2011. The negotiation process for the renewal of the *nofrills* agreement is underway. During the third quarter of 2011 a provincial conciliator was appointed to assist the process. Subsequent to the end of the third quarter of 2011, the union received a strike mandate from its members. Subsequent to receiving the mandate and before a strike deadline was set, a tentative agreement was reached, which remains subject to ratification. Loblaw will also continue to negotiate the collective agreements carried over from prior years. Although Loblaw attempts to mitigate work stoppages and disputes through early negotiations, work stoppages or slowdowns remain possible.

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 17 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 standard 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 Arrangements" ("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" 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 standard 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 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. These amendments are effective for annual periods beginning on or after July 1, 2011 and therefore the Company will apply the amendments in the first quarter of 2012. The Company is currently assessing the impact of the amendments 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 amendments are 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 there is no impact on its financial statements as a result of the amendments.

Financial Instruments On November 1, 2009, the IASB 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 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 continued sales growth and satisfactory operating performance with earnings reflecting seasonally lower operating margins. Weston Foods will continue to mitigate higher commodity and energy costs through pricing and continued cost reduction initiatives in an effort to achieve full year operating margins in line with those in 2010. Looking ahead to the first half of 2012, higher commodity and input costs are expected to continue to put pressure on operating margins when compared to the same period in 2011.

Loblaw remains committed to consistently improve in execution in an increasingly competitive environment. With an ongoing focus on the successful implementation of its information technology and supply chain, Loblaw continues to expect that these investments will negatively impact operating income for the remainder of 2011. Loblaw also expects additional costs associated with the transition of certain Ontario conventional stores under collective agreements and that there may be volatility in earnings with respect to fixed asset impairments. Evaluations of indicators, that may arise in the fourth quarter of 2011, will determine whether any impairment or recovery will be required.

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 62.9%-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 in the following tables 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.

(unaudited) ($ millions)	16 Weeks Ended Oct. 8, 2011 Weston Foods	Loblaw	Other[1]	Consolidated	Oct. 9, 2010 Weston Foods	Loblaw	Other[1]	Consolidated
Net earnings attributable to shareholders of the Company				**$ 264**				$ 176
Add impact of the following:								
Non-controlling interests				**87**				73
Income taxes				**112**				119
Net interest expense and other financing charges				**94**				126
Operating income (loss)	**$ 77**	**$ 419**	**$ 61**	**$ 557**	$ 116	$ 387	$ (9)	$ 494
Add (deduct) impact of the following:								
Restructuring and other charges[2]	**2**			**2**	(4)	8		4
Commodity derivatives fair value adjustment at Weston Foods	**4**			**4**	(24)			(24)
Foreign currency translation (gains) losses			**(61)**	**(61)**			9	9
Share-based compensation net of equity derivatives	**9**	**15**		**24**	(3)	9		6
Net Weston Foods insurance proceeds	**(5)**			**(5)**				
Gain on sale of a portion of a Loblaw property		**(14)**		**(14)**				
Adjusted operating income	**$ 87**	**$ 420**	**$**	**$ 507**	$ 85	$ 404	$	$ 489
Depreciation and amortization	**18**	**218**		**236**	16	192		208
Adjusted EBITDA	**$ 105**	**$ 638**	**$**	**$ 743**	$ 101	$ 596	$	$ 697

(1) Operating income in the third quarter of 2011 included a gain of $61 million (2010 – a loss of $9 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 third quarter of 2010 included $8 million as a result of changes in Loblaw's distribution network, including a charge of $3 million due to an asset impairment.

	40 Weeks Ended							
				Oct. 8, 2011				Oct. 9, 2010
(unaudited) ($ millions)	**Weston Foods**	**Loblaw**	**Other[1]**	**Consolidated**	Weston Foods	Loblaw	Other[1]	Consolidated
Net earnings attributable to shareholders of the Company				**$ 526**				$ 341
Add impact of the following:								
Non-controlling interests				**220**				190
Income taxes				**253**				286
Net interest expense and other financing charges				**258**				384
Operating income (loss)	**$ 151**	**$ 1,063**	**$ 43**	**$ 1,257**	$ 228	$ 1,017	$ (44)	$ 1,201
Add (deduct) impact of the following:								
Restructuring and other charges[2]	**8**	**31**		**39**	5	52		57
Commodity derivatives fair value adjustment at Weston Foods	**32**			**32**	(34)			(34)
Foreign currency translation (gains) losses			**(43)**	**(43)**			44	44
Share-based compensation net of equity derivatives	**23**	**23**		**46**	(12)	25		13
Certain prior years' commodity tax matters at Loblaw		**15**		**15**				
Net Weston Foods insurance proceeds	**(5)**			**(5)**				
Gain on sale of a portion of a Loblaw property		**(14)**		**(14)**				
Adjusted operating income	**$ 209**	**$ 1,118**	**$**	**$ 1,327**	$ 187	$ 1,094	$	$ 1,281
Depreciation and amortization	**45**	**529**		**574**	40	476		516
Adjusted EBITDA	**$ 254**	**$ 1,647**	**$**	**$ 1,901**	$ 227	$ 1,570	$	$ 1,797

(1) Year-to-date operating income included a gain of $43 million (2010 – a loss of $44 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 realignment of Loblaw's business centered around Loblaw's two primary store formats, Discount and Conventional and $23 million (2010 – $52 million) related to changes in Loblaw's distribution network, including a charge of nil (2010 – $26 million) due to an asset impairment.

The year-over-year change in the following items influenced operating income in the third 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 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 third quarter of 2011 and year-to-date, Weston Foods recorded charges of $4 million (2010 – income of $24 million) and $32 million (2010 – income of $34 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 gains and 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. In the third quarter of 2011 and year-to-date, foreign currency translation gains of $61 million (2010 – losses of $9 million) and $43 million (2010 – losses of $44 million), respectively, were recorded in operating income as a result of the depreciation (2010 – appreciation) of the Canadian dollar.

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 prices of GWL and Loblaw common shares, the number of unexercised RSUs and their vesting schedules relative to the number of underlying common shares of the equity derivatives. 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 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 third quarter of 2011 and year-to-date year-over-year increases in the share-based compensation net of equity derivatives charge were $18 million and $33 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, Loblaw recorded a charge of $15 million related to certain prior years' commodity tax matters.

Net Weston Foods insurance proceeds During the third quarter of 2011, Weston Foods received net insurance proceeds of $5 million representing insurance proceeds related to the loss of a Quebec facility, net of charges incurred.

Gain on sale of a portion of a Loblaw property During the third quarter of 2011, Loblaw recorded a gain of $14 million related to the sale of a portion of a property in North Vancouver, British Columbia.

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 in the following table 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.

(unaudited)	16 Weeks Ended		40 Weeks Ended	
($)	**Oct. 8, 2011**	Oct. 9, 2010	**Oct. 8, 2011**	Oct. 9, 2010
Basic net earnings per common share	**$ 1.94**	$ 1.26	**$ 3.81**	$ 2.38
(Deduct) add impact of the following[1]:				
Accounting for WHL's forward sale agreement for 9.6 million Loblaw common shares	**(0.11)**	0.04	**(0.19)**	0.40
Restructuring and other charges	**0.02**		**0.16**	0.20
Commodity derivatives fair value adjustment at Weston Foods	**0.03**	(0.14)	**0.18**	(0.19)
Foreign currency translation (gains) losses	**(0.47)**	0.07	**(0.33)**	0.34
Share-based compensation net of equity derivatives	**0.12**	0.03	**0.26**	0.04
Certain prior years' commodity tax matters at Loblaw			**0.05**	
Net Weston Foods insurance proceeds	**(0.03)**		**(0.03)**	
Gain on sale of a portion of a Loblaw property	**(0.06)**		**(0.06)**	
Adjusted basic net earnings per common share	**$ 1.44**	$ 1.26	**$ 3.85**	$ 3.17

(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 third 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. In the third quarter of 2011 and year-to-date, income related to the accounting for WHL's forward sale agreement for 9.6 million Loblaw common shares of $0.11 (2010 – a charge of $0.04) per common share and $0.19 (2010 – a charge of $0.40) per common share, respectively, was recorded in net interest expense and other financing charges as a result of the decrease (2010 – increase) in the market price of Loblaw common shares.

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.

(unaudited)

($ millions)		Oct. 8, 2011	Oct. 9, 2010	Dec. 31, 2010
Bank indebtedness		**$ 8**	$ 4	$ 11
Short term debt		**1,270**	1,461	871
Long term debt due within one year		**386**	876	1,202
Long term debt		**6,380**	5,798	6,114
Certain other liabilities		**35**	37	35
Fair value of financial derivatives related to the above		**(405)**	(325)	(352)
		7,674	7,851	7,881
Less:	Cash and cash equivalents	**1,399**	1,308	1,453
	Short term investments	**2,445**	3,432	3,253
	Security deposits	**248**	436	435
	Fair value of financial derivatives related to the above	**117**	178	187
		4,209	5,354	5,328
Net debt		**$ 3,465**	$ 2,497	$ 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.

(unaudited)

($ millions)		**Oct. 8, 2011**	Oct. 9, 2010	Dec. 31, 2010
GAAP total assets		**$ 20,825**	$ 21,308	$ 21,696
Less:	Cash and cash equivalents	**1,399**	1,308	1,453
	Short term investments	**2,445**	3,432	3,253
	Security deposits	**248**	436	435
	Fair value of WHL's forward sale agreement for 9.6 million Loblaw common shares	**484**	406	421
	Trade and other payables[(1)]	**3,540**	3,479	3,799
Net assets		**$ 12,709**	$ 12,247	$ 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)	16 Weeks Ended		40 Weeks Ended	
	Oct. 8, 2011	Oct. 9, 2010	**Oct. 8, 2011**	Oct. 9, 2010
Revenue	**$ 10,061**	$ 9,826	**$ 24,740**	$ 24,472
Operating Expenses				
Cost of inventories sold (note 8)	**7,640**	7,394	**18,627**	18,377
Selling, general and administrative expenses (note 16)	**1,864**	1,938	**4,856**	4,894
	9,504	9,332	**23,483**	23,271
Operating Income	**557**	494	**1,257**	1,201
Net Interest Expense and Other Financing Charges (note 4)	**94**	126	**258**	384
Earnings Before Income Taxes	**463**	368	**999**	817
Income Taxes (note 5)	**112**	119	**253**	286
Net Earnings	**351**	249	**746**	531
Attributable to:				
Shareholders of the Company	**264**	176	**526**	341
Non-Controlling Interests	**87**	73	**220**	190
Net Earnings	**$ 351**	$ 249	**$ 746**	$ 531
Net Earnings per Common Share ($) (note 6)				
Basic	**$ 1.94**	$ 1.26	**$ 3.81**	$ 2.38
Diluted	**$ 1.93**	$ 1.21	**$ 3.78**	$ 2.21

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

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

(millions of Canadian dollars)	16 Weeks Ended		40 Weeks Ended	
	Oct. 8, 2011	Oct. 9, 2010	**Oct. 8, 2011**	Oct. 9, 2010
Net earnings	**$ 351**	$ 249	**$ 746**	$ 531
Other comprehensive loss				
Foreign currency translation adjustment (note 7)	**33**	(7)	**22**	(19)
	33	(7)	**22**	(19)
Net loss on derivatives designated as cash flow hedges		(1)		(2)
Reclassification of net loss on derivatives designated as cash flow hedges to net earnings		1		5
				3
Net defined benefit plan actuarial losses (note 13)	**(117)**	(72)	**(189)**	(167)
Other comprehensive loss	**(84)**	(79)	**(167)**	(183)
Comprehensive Income	**267**	170	**579**	348
Attributable to:				
Shareholders of the Company	**217**	122	**419**	212
Non-Controlling Interests	**50**	48	**160**	136
Comprehensive Income	**$ 267**	$ 170	**$ 579**	$ 348

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 as at Dec. 31, 2010	$ 133	$ 817	**$ 950**	**$ (14)**	**$ 4,312**	$ (27)	$ 3	**$ (24)**	**$ 2,080**	**$ 7,304**
Net earnings					**526**				**220**	**746**
Other comprehensive (loss) income [(1)]					**(129)**	22		**22**	**(60)**	**(167)**
Comprehensive income					**397**	22		**22**	**160**	**579**
Effect of share-based compensation (note 14)	1		**1**	**42**					**17**	**60**
Subsidiary capital transactions (notes 12 & 14)				**(1)**					**14**	**13**
Purchased for cancellation (note 11)					**(1)**					**(1)**
Dividends declared										
Per common share ($) – $1.08					**(139)**				**(66)**	**(205)**
Per preferred share ($)										
– Series I – $1.09					**(10)**					**(10)**
– Series III – $0.97					**(8)**					**(8)**
– Series IV – $0.97					**(7)**					**(7)**
– Series V – $0.89					**(7)**					**(7)**
	1		**1**	**41**	**(172)**				**(35)**	**(165)**
Balance as at Oct. 8, 2011	$ 134	$ 817	**$ 951**	**$ 27**	**$ 4,537**	$ (5)	$ 3	**$ (2)**	**$ 2,205**	**$ 7,718**

(1) Other comprehensive loss includes actuarial losses of $189 million, $129 million of which are presented above in retained earnings and $60 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 as at Jan. 1, 2010	$ 133	$ 817	**$ 950**		**$ 5,153**		$ 1	**$ 1**	**$ 1,902**	**$ 8,006**
Net earnings					**341**				**190**	**531**
Other comprehensive (loss) income[(1)]					**(112)**	$ (19)	2	**(17)**	**(54)**	**(183)**
Comprehensive income (loss)					**229**	(19)	2	**(17)**	**136**	**348**
Effect of share-based compensation (note 14)				**$ 2**						**2**
Subsidiary capital transactions (note 12)				**(12)**					**34**	**22**
Dividends declared										
Per common share ($) – $1.08					**(139)**				**(64)**	**(203)**
Per preferred share ($)										
– Series I – $1.09					**(10)**					**(10)**
– Series III – $0.97					**(8)**					**(8)**
– Series IV – $0.97					**(7)**					**(7)**
– Series V – $0.89					**(7)**					**(7)**
				(10)	**(171)**				**(30)**	**(211)**
Balance as at Oct. 9, 2010	$ 133	$ 817	**$ 950**	**$ (10)**	**$ 5,211**	$ (19)	$ 3	**$ (16)**	**$ 2,008**	**$ 8,143**

(1) Other comprehensive loss includes actuarial losses of $167 million, $112 million of which are presented above in retained earnings and $55 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)	Oct. 8, 2011	As at Oct. 9, 2010	Dec. 31, 2010
ASSETS			
Current Assets			
Cash and cash equivalents (note 7)	**$ 1,399**	$ 1,308	$ 1,453
Short term investments (note 7)	**2,445**	3,432	3,253
Accounts receivable	**511**	475	462
Credit card receivables (note 9)	**1,911**	1,855	1,997
Inventories (note 8)	**2,149**	2,113	2,050
Income taxes recoverable	**21**		
Prepaid expenses and other assets	**158**	113	91
Assets held for sale	**30**	81	71
Total Current Assets	**8,624**	9,377	9,377
Fixed Assets	**8,938**	8,494	8,823
Investment Properties	**75**	69	74
Goodwill and Intangible Assets	**1,554**	1,460	1,554
Deferred Income Taxes	**307**	394	311
Security Deposits (note 7)	**248**	436	435
Franchise Loans Receivable	**316**	330	314
Other Assets	**763**	748	808
Total Assets	**$ 20,825**	$ 21,308	$ 21,696
LIABILITIES			
Current Liabilities			
Bank indebtedness	**$ 8**	$ 4	$ 11
Trade and other payables	**3,540**	3,479	4,799
Provisions	**80**	97	92
Income taxes payable		73	12
Short term debt (note 9)	**1,270**	1,461	871
Long term debt due within one year (note 10)	**386**	876	1,202
Total Current Liabilities	**5,284**	5,990	6,987
Provisions	**99**	97	95
Long Term Debt (note 10)	**6,380**	5,798	6,114
Deferred Income Taxes	**161**	131	162
Other Liabilities	**962**	929	813
Capital Securities	**221**	220	221
Total Liabilities	**13,107**	13,165	14,392
EQUITY			
Share Capital (notes 11 & 14)	**951**	950	950
Contributed Surplus (notes 12 & 14)	**27**	(10)	(14)
Retained Earnings	**4,537**	5,211	4,312
Accumulated Other Comprehensive Loss	**(2)**	(16)	(24)
Total Equity Attributable to Shareholders of the Company	**5,513**	6,135	5,224
Non-Controlling Interests	**2,205**	2,008	2,080
Total Equity	**7,718**	8,143	7,304
Total Liabilities and Equity	**$ 20,825**	$ 21,308	$ 21,696

Contingent liabilities (note 15).

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

Condensed Consolidated Cash Flow Statements

(unaudited)

(millions of Canadian dollars)	16 Weeks Ended Oct. 8, 2011	16 Weeks Ended Oct. 9, 2010	40 Weeks Ended Oct. 8, 2011	40 Weeks Ended Oct. 9, 2010
Operating Activities				
Net earnings	**$ 351**	$ 249	**$ 746**	$ 531
Income taxes (note 5)	**112**	119	**253**	286
Net interest expense and other financing charges (note 4)	**94**	126	**258**	384
Depreciation and amortization	**236**	208	**574**	516
Foreign currency translation (gains) losses (note 16)	**(61)**	9	**(43)**	44
Income taxes paid	**(72)**	(63)	**(216)**	(242)
Interest received	**10**	23	**56**	51
Fixed assets and other related impairments		(5)	**9**	37
Change in non-cash working capital	**122**	95	**(318)**	21
Other	**(21)**	39	**(14)**	6
Cash Flows from Operating Activities	**771**	800	**1,305**	1,634
Investing Activities				
Fixed asset purchases	**(333)**	(439)	**(665)**	(767)
Change in short term investments	**(359)**	39	**880**	(79)
Proceeds from fixed asset sales	**45**	21	**51**	37
Business acquisitions – net of cash acquired (note 3)		(187)	**(12)**	(187)
Change in franchise investments and other receivables	**(20)**	(17)	**3**	(17)
Change in security deposits	**13**	(159)	**197**	(101)
Other		(8)		(21)
Cash Flows (used in) from Investing Activities	**(654)**	(750)	**454**	(1,135)
Financing Activities				
Change in bank indebtedness	**6**	(15)	**(3)**	(7)
Change in short term debt (note 9)	**10**	9	**399**	(64)
Long term debt – Issued (note 10)	**104**	15	**320**	372
– Retired (note 10)	**(28)**	(9)	**(893)**	(315)
Share capital – Issued (note 14)			**1**	
– Retired (note 11)	**(1)**		**(1)**	
Subsidiary share capital – Issued (notes 12 & 14)			**19**	
– Retired (note 12)	**(19)**		**(22)**	
Dividends – To common shareholders	**(93)**	(93)	**(1,186)**	(186)
– To preferred shareholders	**(19)**	(19)	**(41)**	(41)
– To minority shareholders	**(43)**	(28)	**(57)**	(43)
Interest paid	**(94)**	(132)	**(360)**	(386)
Cash Flows used in Financing Activities	**(177)**	(272)	**(1,824)**	(670)
Effect of foreign currency exchange rate changes on cash and cash equivalents (note 7)	**13**	2	**11**	(11)
Change in Cash and Cash Equivalents	**(47)**	(220)	**(54)**	(182)
Cash and Cash Equivalents, Beginning of Period	**1,446**	1,528	**1,453**	1,490
Cash and Cash Equivalents, End of Period	**$ 1,399**	$ 1,308	**$ 1,399**	$ 1,308

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 17.

These unaudited interim period condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on November 21, 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 14) 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 62.9% (October 9, 2010 – 62.8%; 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 three quarters 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 ("NCIB").

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 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 standard 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 Arrangements" ("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" 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 standard 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. These amendments are effective for annual periods beginning on or after July 1, 2011 and therefore the Company will apply the amendments in the first quarter of 2012. The Company is currently assessing the impact of the amendments 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 amendments are 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 there is no impact on its financial statements as a result of the amendments.

Financial Instruments On November 1, 2009, the IASB 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 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 third 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.

During the third quarter of 2010, Maplehurst Bakeries, LLC, a subsidiary of GWL, acquired all of the outstanding shares of Keystone Bakery Holdings, LLC, for total consideration of approximately $188 million (U.S. $186 million), including $1 million of transaction costs.

Note 4. Net Interest Expense and Other Financing Charges

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

($ millions)	16 Weeks Ended Oct. 8, 2011	16 Weeks Ended Oct. 9, 2010	40 Weeks Ended Oct. 8, 2011	40 Weeks Ended Oct. 9, 2010
Interest expense and other financing charges:				
Long term debt	**$ 112**	$ 116	**$ 281**	$ 289
Defined benefit obligations	**33**	33	**83**	83
Borrowings related to credit card receivables	**11**	13	**33**	32
Franchise Trust II loans	**4**	4	**12**	12
Other financing charges(1)				53
Dividends on capital securities	**4**	4	**11**	11
Less: Interest capitalized to fixed assets			**(1)**	
	164	170	**419**	480
Interest income:				
Expected return on pension plan assets	**(29)**	(27)	**(74)**	(70)
Other financing income(1)	**(26)**		**(50)**	
Accretion income	**(6)**	(4)	**(15)**	(12)
Interest income on financial derivative instruments	**(4)**	(5)	**(8)**	(1)
Interest income on security deposits	**(1)**		**(1)**	(1)
Short term interest income	**(4)**	(8)	**(13)**	(12)
	(70)	(44)	**(161)**	(96)
Net interest expense and other financing charges	**$ 94**	$ 126	**$ 258**	$ 384

(1) Other financing charges (income) in the third quarter of 2011 and year-to-date includes non-cash income of $19 million (2010 – a non-cash charge of $7 million) and $33 million (2010 – a non-cash charge of $68 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 third quarter of 2011 and year-to-date is forward accretion income of $12 million (2010 – $12 million) and $30 million (2010 – $28 million), respectively, and the forward fee of $5 million (2010 – $5 million) and $13 million (2010 – $13 million), respectively, associated with WHL's forward sale agreement.

Note 5. Income Taxes

The effective income tax rate decreased to 24.2% in the third quarter of 2011 compared to 32.3% in the same period in 2010 and decreased on a year-to-date basis to 25.3% in 2011 compared to 35.0% in 2010. The decreases in the effective income tax rates in the third quarter of 2011 and year-to-date compared to the same periods in 2010 were due to non-taxable foreign currency translation gains (2010 – non-deductible foreign currency translation losses) recorded in the third quarter of 2011 and year-to-date, reductions in the Federal and Ontario Statutory income tax rates and decreases in income tax expense related to certain prior year income tax matters. The year-to-date 2011 effective income tax rate was 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

	16 Weeks Ended		40 Weeks Ended	
($ millions except where otherwise indicated)	**Oct. 8, 2011**	Oct. 9, 2010	**Oct. 8, 2011**	Oct. 9, 2010
Net earnings attributable to shareholders of the Company	**$ 264**	$ 176	**$ 526**	$ 341
Prescribed dividends on preferred shares in share capital	**(14)**	(14)	**(34)**	(34)
Net earnings available to common shareholders	**$ 250**	$ 162	**$ 492**	$ 307
Impact of GWL equity swaps		(3)		(12)
Reduction in net earnings due to dilution at Loblaw	**(1)**	(2)	**(4)**	(8)
Net earnings available to common shareholders for diluted earnings per share	**$ 249**	$ 157	**$ 488**	$ 287
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)		0.5		0.7
Diluted weighted average common shares outstanding (in millions)	**129.2**	129.6	**129.2**	129.8
Basic net earnings per common share ($)	**$ 1.94**	$ 1.26	**$ 3.81**	$ 2.38
Diluted net earnings per common share ($)	**$ 1.93**	$ 1.21	**$ 3.78**	$ 2.21

(1) In the third quarter of 2011 and year-to-date, 3,079,193 (2010 – 1,540,498) and 3,072,635 (2010 – 1,540,501) 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)	**Oct. 8, 2011**	Oct. 9, 2010	Dec. 31, 2010
Cash	**$ 219**	$ 77	$ 125
Government treasury bills	**662**	308	244
Corporate commercial paper	**201**	170	427
Banker's acceptances	**133**	684	252
Bank term deposits	**130**	58	287
Other	**54**	11	118
Total cash and cash equivalents	**$ 1,399**	$ 1,308	$ 1,453

Short term investments

	As at		
($ millions)	**Oct. 8, 2011**	Oct. 9, 2010	Dec. 31, 2010
Government treasury bills	**$ 781**	$ 1,582	$ 1,659
Corporate commercial paper	**704**	611	1,228
Banker's acceptances	**293**	699	1
Other	**667**	540	365
Total short term investments	**$ 2,445**	$ 3,432	$ 3,253

Security Deposits

	As at		
($ millions)	**Oct. 8, 2011**	Oct. 9, 2010	Dec. 31, 2010
Government treasury bills	**$ 161**	$ 230	$ 296
Banker's acceptances		124	92
Other	**87**	82	47
Total security deposits	**$ 248**	$ 436	$ 435

As at October 8, 2011 – U.S. $2,223 million, October 9, 2010 – U.S. $2,144 million and December 31, 2010 – U.S. $2,151 million (October 8, 2011 – $2,311 million; October 9, 2010 – $2,168 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 gains (losses) as a result of translating U.S. dollar denominated cash and cash equivalents, short term investments and security deposits:

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 8, 2011**	Oct. 9, 2010	**Oct. 8, 2011**	Oct. 9, 2010
Loblaw[(1)]	**$ 65**	$ (10)	**$ 45**	$ (39)
The Company (excluding Loblaw)[(2)]	**68**	(9)	**48**	(48)
Consolidated	**$ 133**	$ (19)	**$ 93**	$ (87)

(1) Includes gains of $7 million and $5 million (2010 – gain of $1 million and loss of $4 million) related to cash and cash equivalents in the third quarter of 2011 and year-to-date, respectively.

The gain (loss) on cash and cash equivalents, short term investments and security deposits was partially offset in operating income by a corresponding foreign currency translation loss (gain) on Loblaw's cross currency swaps.

(2) Includes gains of $6 million and $6 million (2010 – gain of $1 million and loss of $7 million) related to cash and cash equivalents in the third quarter of 2011 and year-to-date, respectively.

During the third quarter of 2011 and year-to-date, foreign currency translation gains 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 $61 million and $43 million (2010 – losses of $9 million and $44 million), respectively, were recognized in operating income (see note 16). The remaining foreign currency translation gains (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)	**Oct. 8, 2011**	Oct. 9, 2010	Dec. 31, 2010
Raw materials and supplies	**$ 47**	$ 37	$ 39
Finished goods	**2,102**	2,076	2,011
Inventories	**$ 2,149**	$ 2,113	$ 2,050

For inventories recorded as at the end of the third quarter of 2011, Loblaw recorded $16 million (October 9, 2010 – $13 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 three quarters of 2011 and 2010.

Cost of inventories sold includes a charge of $4 million (2010 – income of $24 million) and $32 million (2010 – income of $34 million) in the third 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 Oct. 8, 2011	Oct. 9, 2010	Dec. 31, 2010
Independent securitization trusts	**$ 905**	$ 1,135	$ 535
Series B debentures	**365**	326	336
Short term debt	**$ 1,270**	$ 1,461	$ 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 certain independent securitization trusts pursuant to co-ownership agreements. PC Bank purchases credit card receivables from and sells credit card receivables to these independent securitization trusts from time to time depending on PC Bank's financing requirements.

Due to the retention of substantially all of the risks and rewards on the credit card receivables, 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.

During the third quarter of 2011, PC Bank amended and extended the maturity date of one of its independent securitization trust agreements from the third quarter of 2012 to the third quarter of 2014, with no material impact to the other terms and conditions.

During the third quarter of 2011, PC Bank did not securitize any additional receivables. On a year-to-date basis PC Bank securitized $370 million (2010 – nil) of credit card receivables and repurchased nil (2010 – $90 million) of co-ownership interests in the securitized credit card receivables from independent securitization trusts. In addition to PC Bank's securitized credit card receivables, the independent securitization trusts' recourse is limited to standby letters of credit arranged by Loblaw as at the end of the third quarter of 2011 of $81 million (October 9, 2010 – $103 million; December 31, 2010 – $48 million) which is 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 third quarter of 2011, PC Bank sold $80 million (2010 – $7 million) and $259 million (2010 – $7 million) year-to-date in Guaranteed Investment Certificates ("GICs") through independent brokers. As at the end of the third quarter of 2011, Loblaw had recorded in long term debt $274 million (October 9, 2010 – $7 million; December 31, 2010 – $18 million) of outstanding GICs, of which $47 million (October 9, 2010 – $3 million; December 31, 2010 – $5 million) was recorded as long term debt due within one year. During the third quarter of 2011, $3 million (October 9, 2010 – nil; December 31, 2010 – nil) of GICs matured and were repaid.

As at the end of the third quarters of 2011 and 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 2011, the Loblaw $475 million revolving committed credit facility that is the source of funding to the independent funding 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.

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 issued by Eagle Credit Card Trust ("Eagle") due March 17, 2011 matured and were repaid.

During the second quarter of 2010, Loblaw issued $350 million 5.22% principal amount of unsecured MTN, Series 2-B pursuant to its MTN, Series 2 program. Also, during the second quarter of 2010, Loblaw's $300 million 7.10% MTN matured and was repaid.

Subsequent to the end of the third quarter of 2011, GWL issued $350 million principal amount of 5 year unsecured MTN, Series 2-A pursuant to its MTN, Series 2 program. Interest on the notes is payable semi-annually at a fixed rate of 3.78%. The notes are unsecured obligations and are redeemable at the option of GWL. Also subsequent to the end of the third quarter of 2011, GWL's $300 million 6.45% MTN matured and was repaid.

The Loblaw's $800 million committed credit facility and its U.S. $300 million private placement notes contain certain financial covenants. During the third quarter of 2011, Loblaw amended these agreements to include certain relevant IFRS adjustments in computing the financial metrics that are used in calculating Loblaw's financial covenants. These amendments largely served to neutralize the impact of IFRS on covenant calculations. As at the end of the third quarter of 2011, Loblaw was in compliance with all of its covenants.

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 the end of the third quarter of 2011, $312 million (October 9, 2010 – $303 million; December 31, 2010 – $300 million) of U.S. private placement notes were recorded in long term debt.

Note 11. Common Share Capital

As at the end of the third quarter of 2011, GWL's outstanding common share capital was comprised of common shares, an unlimited number of which were authorized and 129,074,477 (2010 – 129,073,662) that were issued and outstanding.

During the third quarter of 2011 and year-to-date, GWL issued 815 and 15,679 common shares, respectively, in connection with its stock option plan (see note 14).

During the second quarter of 2011, GWL renewed its NCIB to purchase on the Toronto Stock Exchange or enter into equity derivatives to purchase up to 5% of its common shares outstanding. In accordance with the rules and by-laws of the Toronto Stock Exchange, GWL may purchase its shares at the then market price of such shares. During the third quarter of 2011 and year-to-date, the Company purchased for cancellation 14,864 (2010 – nil) of its common shares for $1 million. The premium of $1 million paid on common shares purchased for cancellation in the third quarter of 2011 and year-to-date was recorded in retained earnings.

Note 12. Subsidiary Capital Transactions

During the third quarter of 2011 and year-to-date, Loblaw purchased for cancellation 526,267 (2010 – nil) and 606,267 (2010 – nil) of its common shares, respectively. As a result, contributed surplus decreased by $5 million and $6 million, respectively.

During the third quarter of 2011 and year-to-date, Loblaw issued 25,619 (2010 – nil) and 631,886 (2010 – nil) common shares, respectively, in connection with Loblaw's stock option plan (see note 14). As a result, contributed surplus increased by $2 million and $9 million, respectively.

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, resulting in a year-to-date decrease to contributed surplus of $4 million (2010 – $12 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. The DRIP raised approximately $330 million total Loblaw common share equity since 2009.

Note 13. Post-Employment and Other Long Term Employee Benefits

The costs (income) related to the Company's post-employment and other long term employee benefits were recorded as follows:

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 8, 2011**	Oct. 9, 2010	**Oct. 8, 2011**	Oct. 9, 2010
Post employment benefit cost recognized in operating income	**$ 39**	$ 41	**$ 107**	$ 104
Other long term employee benefits cost (income) recognized in operating income	**3**	(3)	**9**	7
Post-employment and other long term employee benefit costs included in net interest expense and other financing charges (note 4)	**4**	6	**9**	13
Actuarial losses before income taxes recognized in other comprehensive loss	**157**	96	**255**	226

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 benefits cost included costs for the Company's long term disability plan. The actuarial losses recognized in other comprehensive loss in 2011 were primarily due to decreases in the discount rate and a lower than expected return on assets. The actuarial losses recognized in other comprehensive loss in 2010 were primarily due to decreases in the discount rate.

Note 14. 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:

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 8, 2011**	Oct. 9, 2010	**Oct. 8, 2011**	Oct. 9, 2010
Stock option plans / share appreciation right plan expense[1]	**$ 6**	$ 8	**$ 11**	$ 31
Restricted share unit plan expense[1]	**10**	5	**15**	13
Equity derivative contracts expense (income)	**8**	(7)	**20**	(31)
Net share-based compensation expense	**$ 24**	$ 6	**$ 46**	$ 13

(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 compensation expense.

The following is the carrying amount of the Company's shared-based compensation arrangements:

	As at		
($ millions)	**Oct. 8, 2011**	Oct. 9, 2010	Dec. 31, 2010
Trade and other payables	**$ 20**	$ 47	$ 52
Other liabilities	**21**	45	50
Contributed surplus	**45**	2	3
	$ 86	$ 94	$ 105

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 as well as other liabilities was reclassified to contributed surplus.

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

	16 Weeks Ended		40 Weeks Ended	
Number of Options/Rights	**Oct. 8, 2011**	Oct. 9, 2010	**Oct. 8, 2011**	Oct. 9, 2010
Outstanding options/rights, beginning of period	**1,704,322**	1,448,553	**1,533,443**	1,761,345
Granted		128,774	**243,159**	300,573
Exercised	**(815)**	(33,878)	**(15,679)**	(119,911)
Forfeited	**(2,687)**		**(60,103)**	(53,947)
Expired				(344,611)
Outstanding options/rights, end of period	**1,700,820**	1,543,449	**1,700,820**	1,543,449
Share appreciation value paid ($ millions)		$		$ 1

During the third quarter of 2011 and year-to-date, GWL issued 815 and 15,679 common shares, respectively, on the exercise of stock options and received a nominal amount and $1 million in cash consideration, respectively. During the third quarter of 2010, GWL granted stock options with an exercise price of $81.05 per common share, and a fair value of $2 million was calculated under the Black-Scholes stock option valuation model.

The share appreciation value paid in the third quarter of 2010 was nominal.

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	
	Oct. 9, 2010	Dec. 31, 2010
Expected dividend yield[(1)]	1.9%	1.7%
Expected share price volatility[(2)]	20.5% - 28.7%	19.3% - 28.2%
Risk-free interest rate[(3)]	1.1% - 2.0%	1.2% - 2.6%
Expected life of options[(4)]	0.6 - 6.4 years	0.5 - 6.4 years
Weighted average exercise price	$ 75.66	$ 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 behaviour.

Estimated forfeiture rates are incorporated into the measurement of fair value. The forfeiture rate applied as at the end of the third quarter of 2011 was 4.3% (October 9, 2010 – 4.0%; December 31, 2010 – 4.3%).

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

	16 Weeks Ended		40 Weeks Ended	
Number of Options	**Oct. 8, 2011**	Oct. 9, 2010	**Oct. 8, 2011**	Oct. 9, 2010
Outstanding options, beginning of period	**11,395,732**	9,585,006	**9,320,865**	9,207,816
Granted	**179,509**	21,782	**3,320,756**	2,510,877
Exercised	**(25,619)**	(138,836)	**(631,886)**	(563,811)
Forfeited	**(282,420)**	(119,314)	**(742,533)**	(1,108,072)
Expired				(698,172)
Outstanding options, end of period	**11,267,202**	9,348,638	**11,267,202**	9,348,638
Share appreciation value paid ($ millions)		$ 2		$ 5

During the third quarter of 2011, Loblaw granted stock options with a weighted average exercise price of $37.63 (2010 – $43.42) per common share. The fair value as calculated under the Black-Scholes stock option valuation model was $1 million (2010 – nominal). In addition, during the third quarter of 2011 and year-to-date, Loblaw issued 25,619 and 631,886 common shares, respectively, and received a nominal amount and $19 million in cash consideration, respectively.

The assumptions used to measure the fair value of the Loblaw options granted during the third quarter of 2011 under the Black-Scholes stock option valuation model at the grant date were as follows:

	Oct. 8, 2011
Expected dividend yield[1]	**2.3%**
Expected share price volatility[2]	**22.1% - 24.4%**
Risk-free interest rate[3]	**1.7% - 2.4%**
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	
	Oct. 9, 2010	Dec. 31, 2010
Expected dividend yield[1]	2.1%	2.1%
Expected share price volatility[2]	17.1% - 27.3%	16.0% - 27.0%
Risk-free interest rate[3]	1.0% - 2.0%	0.7% - 2.6%
Expected life of options[4]	0.3 - 6.2 years	0.2 - 6.4 years
Weighted average exercise price	$ 38.50	$ 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 behaviour.

Estimated forfeiture rates are incorporated into the measurement of fair value. The forfeiture rate applied as at October 8, 2011 was 16.2% (October 9, 2010 – 14.6%; December 31, 2010 – 16.2%).

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

	16 Weeks Ended		40 Weeks Ended	
Number of Awards	**Oct. 8, 2011**	Oct. 9, 2010	**Oct. 8, 2011**	Oct. 9, 2010
RSUs, beginning of period	**165,602**	162,213	**163,370**	152,555
Granted		1,157	**67,200**	49,056
Settled	**(279)**		**(62,660)**	(34,148)
Forfeited	**(179)**		**(2,766)**	(4,093)
RSUs, end of period	**165,144**	163,370	**165,144**	163,370
RSUs settled ($ millions)	**$**	$	**$ 4**	$ 2

The share appreciation value paid by GWL in the third quarters of 2011 and 2010 was nominal.

As at the end of the third quarter of 2011, the intrinsic value of GWL's vested RSUs was $7 million (October 9, 2010 – $7 million and December 31, 2010 – $8 million).

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

	16 Weeks Ended		40 Weeks Ended	
Number of Awards	**Oct. 8, 2011**	Oct. 9, 2010	**Oct. 8, 2011**	Oct. 9, 2010
RSUs, beginning of period	**1,044,727**	1,081,909	**1,045,346**	973,351
Granted	**188,628**	2,590	**540,999**	375,315
Settled	**(24,065)**	(12,073)	**(345,850)**	(183,837)
Forfeited	**(22,816)**	(12,513)	**(54,021)**	(104,916)
RSUs, end of period	**1,186,474**	1,059,913	**1,186,474**	1,059,913
RSUs settled ($ millions)	**$ 1**	$ 1	**$ 13**	$ 7

As at the end of the third quarter of 2011, the intrinsic value of Loblaw's vested RSUs was $21 million (October 9, 2010 – $23 million and December 31, 2010 – $26 million).

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

		As at	
($ millions unless otherwise indicated)	**Oct. 8, 2011**	Oct. 9, 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	**$ 49**	$ 44	$ 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)	**Oct. 8, 2011**	Oct. 9, 2010	Dec. 31, 2010
Outstanding contracts (in millions)	**1.5**	1.5	1.5
Average forward price per share ($)	**$ 56.22**	$ 56.27	$ 56.26
Interest expense per share ($)		$ 0.05	$ 0.04
Interest and unrealized market loss recorded in trade and other payables	**$ 29**	$ 23	$ 24

Note 15. 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.

Note 16. 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.

	16 Weeks Ended		40 Weeks Ended	
($ millions)	**Oct. 8, 2011**	Oct. 9, 2010	**Oct. 8, 2011**	Oct. 9, 2010
Revenue				
Weston Foods	**$ 545**	$ 494	**$ 1,362**	$ 1,238
Loblaw	**9,727**	9,535	**23,877**	23,717
Intersegment	**(211)**	(203)	**(499)**	(483)
Consolidated	**$ 10,061**	$ 9,826	**$ 24,740**	$ 24,472
Operating Income				
Weston Foods	**$ 77**	$ 116	**$ 151**	$ 228
Loblaw	**419**	387	**1,063**	1,017
Other[1]	**61**	(9)	**43**	(44)
Consolidated	**$ 557**	$ 494	**$ 1,257**	$ 1,201

		As at	
($ millions)	**Oct. 8, 2011**	Oct. 9, 2010	Dec. 31, 2010
Total Assets			
Weston Foods	**$ 1,897**	$ 1,652	$ 1,800
Loblaw	**17,069**	16,596	17,001
Other[2]	**1,859**	3,060	2,895
Consolidated	**$ 20,825**	$ 21,308	$ 21,696

(1) Operating income in the third quarter of 2011 and year-to-date included gains of $61 million and $43 million (2010 – losses of $9 million and $44 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.

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

Note 17. 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 periods ended October 8, 2011, the comparative information for the periods ended October 9, 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 66. 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

	Explanatory	As at	
($ millions)	Notes	Oct. 9, 2010	Dec. 31, 2010
Total Shareholders' Equity – CGAAP		$ 7,097	$ 6,132
Differences (decreasing) increasing reported shareholders' equity			
Share-based payments	b	(3)	(3)
Business combinations	c	(1)	(1)
Property, plant and equipment	d	(76)	(85)
Leases	e	(23)	(24)
Employee benefits	f	(528)	(456)
Borrowing costs	h	(212)	(216)
Consolidations	i	(95)	(80)
Impairment of assets	j	(180)	(146)
Provisions	k	(15)	(14)
Financial instruments	l	(346)	(374)
Customer loyalty programs	m	(19)	(25)
Subtotal of adjustments		$ (1,498)(1)	$ (1,424)(2)
Change in presentation of minority interest	a	2,544	2,596
Total Equity – IFRS		$ 8,143	$ 7,304

(1) Includes equity attributable to non-controlling interests of $536 million.
(2) Includes equity attributable to non-controlling interests of $516 million.

Reconciliation of Net Earnings

($ millions)	Explanatory Notes	16 Weeks Ended Oct. 9, 2010	40 Weeks Ended Oct. 9, 2010	52 Weeks Ended Dec. 31, 2010
Net Earnings – CGAAP		$ 184	$ 351	$ 452
Differences increasing (decreasing) reported net earnings				
Share-based payments	b	2	5	5
Business combinations	c	(1)	(1)	(1)
Property, plant and equipment	d	(3)	(5)	(14)
Leases	e	(1)	(4)	(5)
Employee benefits	f	14	27	29
Borrowing costs	h	(5)	(13)	(17)
Consolidations	i	(12)	(18)	3
Impairment of assets	j	2	7	41
Provisions	k	2	1	2
Financial instruments	l	(23)	(26)	(54)
Customer loyalty programs	m	1	(5)	(11)
Subtotal of adjustments		$ (24)(1)	$ (32)(2)	$ (22)(3)
Change in presentation of minority interest	a	89	212	273
Net Earnings – IFRS		$ 249	$ 531	$ 703

(1) Includes a net loss attributable to non-controlling interests of $16 million.
(2) Includes a net loss attributable to non-controlling interests of $22 million.
(3) Includes a net loss attributable to non-controlling interests of $22 million.

Reconciliation of Comprehensive Income

($ millions)	Explanatory Notes	16 Weeks Ended Oct. 9, 2010	40 Weeks Ended Oct. 9, 2010	52 Weeks Ended Dec. 31, 2010
Comprehensive Income – CGAAP		$ 175	$ 326	$ 419
Differences (decreasing) increasing reported comprehensive income				
Net earnings		(24)	(32)	(22)
Foreign currency translation adjustment			1	1
Unrealized available for sale financial assets	l	4	1	(1)
Unrealized cash flow hedges	l	(1)	10	12
Net defined benefit plan actuarial losses	f	(72)	(167)	(98)
Subtotal of adjustments		$ (93)(1)	$ (187)(2)	$ (108)(3)
Change in presentation of minority interest	a	88	209	271
Comprehensive Income – IFRS		$ 170	$ 348	$ 582

(1) Includes a comprehensive loss attributable to non-controlling interests of $40 million.
(2) Includes a comprehensive loss attributable to non-controlling interests of $73 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 $2,544 million and $2,596 million were reclassified from minority interest to non-controlling interests on the consolidated balance sheets as at October 9, 2010 and December 31, 2010, respectively, the CGAAP balances of $89 million, $212 million and $273 million were reclassified on the consolidated statements of earnings and the CGAAP balances of $88 million, $209 million and $271 million were reclassified on the consolidated statements of comprehensive income for the 16 and 40 weeks ended October 9, 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 $69 million and $74 million, net of impairment, as at October 9, 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 $82 million and $61 million were reclassified to non-current deferred income tax assets as at October 9, 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 $95 million and $93 million and long term provisions of $76 million and $74 million, as at October 9, 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 October 9, 2010 and December 31, 2010 and net earnings for the periods ended October 9, 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)	16 Weeks Ended Oct. 9, 2010	40 Weeks Ended Oct. 9, 2010	52 Weeks Ended Dec. 31, 2010
Operating income	$ 3	$ 7	$ 10
Income taxes	$ 1	$ 2	$ 5
Net earnings	$ 2	$ 5	$ 5

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Oct. 9, 2010	Dec. 31, 2010
Deferred income tax assets	$ 3	
Trade and other payables	$ 28	$ 32
Other liabilities	$ (22)	$ (29)
Contributed surplus	$ 2	$ 2
Retained earnings	$ (5)	$ (4)
Non-controlling interests		$ (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)	16 Weeks Ended Oct. 9, 2010	40 Weeks Ended Oct. 9, 2010	52 Weeks Ended Dec. 31, 2010
Operating income	$ (1)	$ (1)	$ (2)
Income taxes			$ (1)
Net earnings	$ (1)	$ (1)	$ (1)

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Oct. 9, 2010	Dec. 31, 2010
Goodwill and intangible assets	$ (1)	$ (2)
Deferred income tax assets		$ 1
Retained earnings	$ (1)	$ (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)	16 Weeks Ended Oct. 9, 2010	40 Weeks Ended Oct. 9, 2010	52 Weeks Ended Dec. 31, 2010
Operating income	$ (5)	$ (7)	$ (18)
Income taxes	$ (2)	$ (2)	$ (4)
Net earnings	$ (3)	$ (5)	$ (14)

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Oct. 9, 2010	Dec. 31, 2010
Fixed assets	$ (89)	$ (100)
Deferred income tax assets	$ 11	$ 12
Deferred income tax liabilities	$ (2)	$ (3)
Retained earnings	$ (52)	$ (58)
Non-controlling interests	$ (24)	$ (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)	16 Weeks Ended Oct. 9, 2010	40 Weeks Ended Oct. 9, 2010	52 Weeks Ended Dec. 31, 2010
Operating income	$ 3	$ 5	$ 8
Net interest expense and other financing charges	$ 5	$ 11	$ 14
Income taxes	$ (1)	$ (2)	$ (1)
Net earnings	$ (1)	$ (4)	$ (5)

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Oct. 9, 2010	Dec. 31, 2010
Fixed assets	$ 136	$ 139
Deferred income tax assets	$ 5	$ 4
Trade and other payables	$ (1)	$ (1)
Long term debt due within one year	$ 8	$ 8
Long term debt	$ 173	$ 175
Deferred income tax liabilities	$ (3)	$ (3)
Other liabilities	$ (13)	$ (12)
Retained earnings	$ (11)	$ (12)
Non-controlling interests	$ (12)	$ (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)	16 Weeks Ended Oct. 9, 2010	40 Weeks Ended Oct. 9, 2010	52 Weeks Ended Dec. 31, 2010
Operating income	$ 27	$ 51	$ 55
Net interest expense and other financing charges	$ 6	$ 13	$ 16
Income taxes	$ 7	$ 11	$ 10
Net earnings	$ 14	$ 27	$ 29

Consolidated Statements of Comprehensive Income

Increase (Decrease) ($ millions)	16 Weeks Ended Oct. 9, 2010	40 Weeks Ended Oct. 9, 2010	52 Weeks Ended Dec. 31, 2010
Other comprehensive loss, net of income taxes	$ (72)	$ (167)	$ (98)

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Oct. 9, 2010	Dec. 31, 2010
Deferred income tax assets	$ 173	$ 149
Other assets	$ (412)	$ (422)
Deferred income tax liabilities	$ (18)	$ (17)
Other liabilities	$ 307	$ 200
Retained earnings	$ (369)	$ (319)
Accumulated other comprehensive loss	$ 1	$ 1
Non-controlling interests	$ (160)	$ (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)	Oct. 9, 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, Loblaw 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)	16 Weeks Ended	40 Weeks Ended	52 Weeks Ended
($ millions)	Oct. 9, 2010	Oct. 9, 2010	Dec. 31, 2010
Operating income		$ 1	$ 1
Net interest expense and other financing charges	$ 6	$ 16	$ 21
Income taxes	$ (1)	$ (2)	$ (3)
Net earnings	$ (5)	$ (13)	$ (17)

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Oct. 9, 2010	Dec. 31, 2010
Fixed assets	$ (254)	$ (259)
Deferred income tax assets	$ 21	$ 22
Deferred income tax liabilities	$ (21)	$ (21)
Retained earnings	$ (134)	$ (136)
Non-controlling interests	$ (78)	$ (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 October 9, 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)	16 Weeks Ended	40 Weeks Ended	52 Weeks Ended
($ millions)	Oct. 9, 2010	Oct. 9, 2010	Dec. 31, 2010
Operating income	$ (2)	$ 13	$ 45
Net interest expense and other financing charges	$ 13	$ 35	$ 47
Income taxes	$ (3)	$ (4)	$ (5)
Net earnings	$ (12)	$ (18)	$ 3

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Oct. 9, 2010	Dec. 31, 2010
Cash and cash equivalents	$ (76)	$ (75)
Short term investments	$ 13	$ 19
Accounts receivable	$ 118	$ 118
Credit card receivables	$ 500	$ 1,100
Inventories	$ (154)	$ (158)
Prepaid expenses and other assets	$ (3)	$ 2
Fixed assets	$ (197)	$ (196)
Goodwill and intangible assets	$ (12)	$ (15)
Deferred income tax assets	$ 40	$ 39
Franchise loans receivable	$ 392	$ 399
Other assets	$ 94	$ 94
Bank indebtedness	$ (1)	$ 7
Trade and other payables	$ 107	$ 114
Provisions	$ 2	$ 1
Income taxes payable	$ 2	$ (6)
Long term debt due within one year	$ 458	$ 461
Long term debt	$ 230	$ 810
Deferred income tax liabilities	$ 8	$ 17
Other liabilities	$ 4	$ 3
Minority interest	$ (34)	$ (41)
Contributed surplus	$ (12)	$ (16)
Retained earnings	$ (32)	$ (16)
Non-controlling interests	$ (17)	$ (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 October 9, 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)	16 Weeks Ended Oct. 9, 2010	40 Weeks Ended Oct. 9, 2010	52 Weeks Ended Dec. 31, 2010
Operating income	$ 3	$ 9	$ 54
Income taxes	$ 1	$ 2	$ 13
Net earnings	$ 2	$ 7	$ 41

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Oct. 9, 2010	Dec. 31, 2010
Assets held for sale		$ (2)
Fixed assets	$ (231)	$ (184)
Investment properties	$ (15)	$ (15)
Deferred income tax assets	$ 37	$ 31
Deferred income tax liabilities	$ (29)	$ (24)
Retained earnings	$ (112)	$ (91)
Non-controlling interests	$ (68)	$ (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 40 weeks ended October 9, 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 periods ended October 9, 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)	16 Weeks Ended Oct. 9, 2010	40 Weeks Ended Oct. 9, 2010	52 Weeks Ended Dec. 31, 2010
Operating income	$ 2	$ 1	$ 3
Income taxes			$ 1
Net earnings	$ 2	$ 1	$ 2

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Oct. 9, 2010	Dec. 31, 2010
Fixed assets	$ 1	$ 1
Deferred income tax assets	$ 2	$ 2
Provisions	$ 21	$ 19
Deferred income tax liabilities	$ (3)	$ (2)
Retained earnings	$ (9)	$ (8)
Non-controlling interests	$ (6)	$ (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, Loblaw 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 Loblaw 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 periods ended October 9, 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 securitization 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)	16 Weeks Ended	40 Weeks Ended	52 Weeks Ended
($ millions)	Oct. 9, 2010	Oct. 9, 2010	Dec. 31, 2010
Operating income	$ (28)	$ (25)	$ (56)
Net interest expense and other financing charges	$ (4)	$ (12)	$ (15)
Income taxes	$ (1)	$ 13	$ 13
Net earnings	$ (23)	$ (26)	$ (54)

Consolidated Statements of Comprehensive Income

Increase (Decrease) ($ millions)	16 Weeks Ended Oct. 9, 2010	40 Weeks Ended Oct. 9, 2010	52 Weeks Ended Dec. 31, 2010
Other comprehensive loss, net of income taxes	$ 3	$ 11	$ 11

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Oct. 9, 2010	Dec. 31, 2010
Accounts receivable	$ (93)	$ (96)
Credit card receivables	$ 1,115	$ 517
Prepaid expenses and other assets		$ 1
Deferred income tax assets	$ 44	$ 43
Franchise loans receivable	$ (62)	$ (85)
Other assets	$ (159)	$ (154)
Trade and other payables	$ (20)	$ (5)
Income taxes payable	$ 1	
Short term debt	$ 1,135	$ 535
Other liabilities	$ 75	$ 70
Retained earnings	$ (213)	$ (231)
Accumulated other comprehensive loss	$ (3)	$ (3)
Non-controlling interests	$ (130)	$ (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, Loblaw recognized the net cost of the program in operating expenses. Accordingly, Loblaw 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. Loblaw 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)	16 Weeks Ended Oct. 9, 2010	40 Weeks Ended Oct. 9, 2010	52 Weeks Ended Dec. 31, 2010
Revenue	$ (37)	$ (100)	$ (126)
Selling, general and administrative expenses	$ (39)	$ (94)	$ (111)
Operating income	$ 2	$ (6)	$ (15)
Income taxes	$ 1	$ (1)	$ (4)
Net earnings	$ 1	$ (5)	$ (11)

Consolidated Balance Sheets

Increase (Decrease)	As at	
($ millions)	Oct. 9, 2010	Dec. 31, 2010
Accounts receivable	$ (1)	
Deferred income tax assets	$ 7	$ 10
Trade and other payables	$ 25	$ 35
Retained earnings	$ (12)	$ (16)
Non-controlling interests	$ (7)	$ (9)

Reconciliation of Consolidated Statements of Earnings

(millions of Canadian dollars) For the 16 Weeks ended Oct. 9, 2010

Accounts	CGAAP Balance	IFRS Reclassifications	IFRS Adjustments	IFRS Balance
Revenue	$ 9,884		$ (58)	$ 9,826
Operating Expenses				
Cost of inventories sold	7,353		41	7,394
Selling, administrative and other expenses	1,837	$ (1,837)		
Depreciation and amortization	204	(204)		
Selling, general and administrative expenses		2,041	(103)	1,938
	9,394		(62)	9,332
Operating Income	490		4	494
Net interest expense and other financing charges	100		26	126
Earnings Before Income Taxes	390		(22)	368
Income Taxes	117		2	119
	273		(24)	249
Minority Interest	89	(89)		
Net Earnings	$ 184	$ 89	$ (24)	$ 249
Net Earnings Attributable to:				
Shareholders of the Company			(8)	176
Non-Controlling Interests			(16)	73
Net Earnings			$ (24)	$ 249
Net Earnings per Common Share ($)				
Basic	$ 1.32		$ (0.06)	$ 1.26
Diluted	$ 1.31		$ (0.10)	$ 1.21

(millions of Canadian dollars) For the 40 Weeks ended Oct. 9, 2010

Accounts	CGAAP Balance	IFRS Reclassifications	IFRS Adjustments	IFRS Balance
Revenue	$ 24,591		$ (119)	$ 24,472
Operating Expenses				
Cost of inventories sold	18,268		109	18,377
Selling, administrative and other expenses	4,660	$ (4,660)		
Depreciation and amortization	510	(510)		
Selling, general and administrative expenses		5,170	(276)	4,894
	23,438		(167)	23,271
Operating Income	1,153		48	1,201
Net interest expense and other financing charges	321		63	384
Earnings Before Income Taxes	832		(15)	817
Income Taxes	269		17	286
	563		(32)	531
Minority Interest	212	(212)		
Net Earnings	$ 351	$ 212	$ (32)	$ 531
Net Earnings Attributable to:				
Shareholders of the Company			(10)	341
Non-Controlling Interests			(22)	190
Net Earnings			$ (32)	$ 531
Net Earnings per Common Share ($)				
Basic	$ 2.46		$ (0.08)	$ 2.38
Diluted	$ 2.45		$ (0.24)	$ 2.21

Reconciliation of Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) For the 16 Weeks ended Oct. 9, 2010

Accounts	CGAAP Balance	IFRS Reclassifications	IFRS Adjustments	IFRS Balance
Net earnings	$ 184	$ 89	$ (24)	$ 249
Foreign currency translation adjustment	(7)			(7)
	(7)			(7)
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	1		(1)	
	(2)	(2)	4	
Net gain (loss) on derivatives designated as cash flow hedges		1	(2)	(1)
Reclassification of loss on derivatives designated as cash flow hedges to net earnings			1	1
		1	(1)	
Net defined benefit plan actuarial losses			(72)	(72)
Other comprehensive loss	(9)	(1)	(69)	(79)
Comprehensive Income (Loss)	$ 175	$ 88	$ (93)	$ 170
Comprehensive Income Attributable to:				
Shareholders of the Company			$ (53)	$ 122
Non-Controlling Interests			$ (40)	$ 48

(millions of Canadian dollars) For the 40 Weeks ended Oct. 9, 2010

Accounts	CGAAP Balance	IFRS Reclassifications	IFRS Adjustments	IFRS Balance
Net earnings	$ 351	$ 212	$ (32)	$ 531
Foreign currency translation adjustment	(20)		1	(19)
	(20)		1	(19)
Net unrealized (loss) gain on available-for-sale financial assets	(6)	(4)	10	
Reclassification of loss (gain) on available-for-sale financial assets to net earnings	6	3	(9)	
		(1)	1	
Net loss on derivatives designated as cash flow hedges	(1)		(1)	(2)
Reclassification of (gain) loss on derivatives designated as cash flow hedges to net earnings	(4)	(2)	11	5
	(5)	(2)	10	3
Net defined benefit plan actuarial losses			(167)	(167)
Other comprehensive loss	(25)	(3)	(155)	(183)
Comprehensive Income (Loss)	$ 326	$ 209	$ (187)	$ 348
Comprehensive Income Attributable to:				
Shareholders of the Company			$ (114)	$ 212
Non-Controlling Interests			$ (73)	$ 136

Reconciliation of Consolidated Balance Sheets

(millions of Canadian dollars) As at Oct. 9, 2010

Accounts	CGAAP Balance	IFRS Reclassifications	IFRS Adjustments	IFRS Balance
Assets				
Current Assets				
Cash and cash equivalents	$ 1,384		$ (76)	$ 1,308
Short term investments	3,419		13	3,432
Accounts receivable	691	$ (240)	24	475
Credit card receivables		240	1,615	1,855
Inventories	2,267		(154)	2,113
Future income taxes	82	(82)		
Prepaid expenses and other assets	116		(3)	113
Assets held for sale		81		81
Total Current Assets	7,959	(1)	1,419	9,377
Fixed Assets	9,293	(165)	(634)	8,494
Investment Properties		84	(15)	69
Goodwill and Intangible Assets	1,473		(13)	1,460
Deferred Income Taxes		51	343	394
Future Income Taxes	48	(48)		
Security Deposits	436			436
Franchise Loans Receivable			330	330
Other Assets	1,225		(477)	748
Total Assets	$ 20,434	$ (79)	$ 953	$ 21,308
Liabilities				
Current Liabilities				
Bank indebtedness	$ 5		$ (1)	$ 4
Trade and other payables	3,435	$ (95)	139	3,479
Provisions		95	2	97
Income taxes payable	70		3	73
Short term debt	326		1,135	1,461
Long term debt due within one year	410		466	876
Total Current Liabilities	4,246		1,744	5,990
Provisions		76	21	97
Long Term Debt	5,395		403	5,798
Future Income Taxes	278	(278)		
Deferred Income Taxes		199	(68)	131
Other Liabilities	654	(76)	351	929
Capital Securities	220			220
Minority Interest	2,544	(2,544)		
Total Liabilities	13,337	(2,623)	2,451	13,165
Equity				
Share Capital	950			950
Contributed Surplus			(10)	(10)
Retained Earnings	6,264		(1,053)	5,211
Accumulated Other Comprehensive (Loss) Income	(117)		101	(16)
Total equity attributable to Shareholders of the Company	7,097		(962)	6,135
Non-Controlling Interests		2,544	(536)	2,008
Total Equity	7,097	2,544	(1,498)	8,143
Total Liabilities and Equity	$ 20,434	$ (79)	$ 953	$ 21,308

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 October 8, 2011 in connection with the Company's Short Form Base Shelf Prospectus dated May 25, 2011.

Earnings coverage on financial liabilities	2.84 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

Registrar and Transfer Agent

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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 62.9%-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.

Third Quarter Conference Call and Webcast

George Weston Limited will host a conference call as well as an audio webcast on Tuesday November 22, 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: 20504138#. 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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