Q1 2012

Quarterly Report to Shareholders

George Weston Limited

12 Weeks Ended March 24, 2012

Report to Shareholders[2]

CONSOLIDATED RESULTS OF OPERATIONS

George Weston Limited's first quarter 2012 adjusted basic net earnings per common share[1] were $0.89 compared to $1.07 in the same period in 2011, a decrease of $0.18. The decrease was primarily attributable to a decline in the operating performance of Loblaw Companies Limited ("Loblaw"), partially offset by a decline in the effective income tax rate. The decline in the operating performance of Loblaw was primarily due to increased transportation costs and higher input costs that were not entirely passed on to the consumer including the incremental investment related to Loblaw's customer proposition, a charge 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 incremental costs related to investments in information technology ("IT") and supply chain[3].

(unaudited)

($ millions except where otherwise indicated)	12 Weeks Ended		
As at or for the periods ended as indicated	**Mar. 24, 2012**	Mar. 26, 2011	Change
Sales	**$ 7,224**	$ 7,148	1.1%
Operating income	**$ 274**	$ 303	(9.6)%
Adjusted operating income[1]	**$ 311**	$ 380	(18.2)%
Adjusted operating margin[1]	**4.3%**	5.3%	
Net interest expense and other financing charges	**$ 44**	$ 66	(33.3)%
Income taxes	**$ 59**	$ 72	(18.1)%
Net earnings attributable to shareholders of the Company	**$ 124**	$ 105	18.1%
Net earnings	**$ 171**	$ 165	3.6%
Basic net earnings per common share ($)	**$ 0.89**	$ 0.74	20.3%
Adjusted basic net earnings per common share[1] ($)	**$ 0.89**	$ 1.07	(16.8)%
Adjusted EBITDA[1]	**$ 495**	$ 546	(9.3)%
Adjusted EBITDA margin[1]	**6.9%**	7.6%	
Free cash flow[1]	**$ (296)**	$ (278)	(6.5)%

The Company's basic net earnings per common share were $0.89 compared to $0.74 in the same period in 2011, an increase of $0.15, or 20.3%. Adjusted basic net earnings per common share[1] declined $0.18, or 16.8%, and excluded the year-over-year favourable impact of certain items, primarily the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares, restructuring and other charges and the fair value adjustment of commodity derivatives at Weston Foods.

The Company uses non-GAAP financial measures. See the "Non-GAAP Financial Measures" section of the Company's Management's Discussion & Analysis for more information on these non-GAAP financial measures.

OPERATING SEGMENTS

Weston Foods

Weston Foods sales in the first quarter of 2012 increased by 3.7% to $425 million compared to the same period in 2011. Foreign currency translation positively impacted sales by approximately 0.8%. Excluding this impact, sales increased 2.9% due to the positive impact of higher pricing across key product categories of 4.2%, partially offset by a decrease in volumes of 1.3% when compared to the same period in 2011.

Weston Foods operating income in the first quarter of 2012 was $60 million compared to $19 million in the same period in 2011. The change in restructuring and other charges, the fair value adjustment of commodity

(1) See non-GAAP financial measures beginning on page 18.
(2) To be read in conjunction with "Forward-Looking Statements" beginning on page 23.
(3) Incremental costs related to investments in IT and supply chain include IT costs, depreciation and amortization and supply chain project costs.

derivatives and share-based compensation net of equity derivatives had a year-over-year favourable impact of $39 million on Weston Foods operating income.

Weston Foods adjusted operating income[(1)] was $59 million in the first quarter of 2012 compared to $57 million in the same period in 2011, an increase of $2 million, or 3.5%. Weston Foods adjusted operating margin[(1)] remained unchanged at 13.9% in the first quarters of both 2012 and 2011. Adjusted operating income[(1)] in the first quarter of 2012 was positively impacted by higher pricing in key product categories and the benefits realized from productivity improvements and other cost reduction initiatives, which were partially offset by higher commodity and fuel costs and lower sales volumes in the first quarter of 2012 compared to the same period in 2011.

Loblaw

In the first quarter of 2012, Loblaw executed on its plan. Despite a decline in year-over-year operating income, store conditions improved, Loblaw made steady progress on its IT implementation and took a disciplined approach to improving its customer proposition.

Loblaw sales in the first quarter of 2012 increased by 0.9% to $6,937 million compared to the same period in 2011. Retail segment sales increased by 0.8% and same-store sales declined by 0.7% (2011 – 0.1%), both negatively impacted by the effect of one less day of store operations estimated to be between 0.8% to 1.0%. Sales in food and drugstore were flat, gas bar sales growth was strong, sales in general merchandise, excluding apparel, were flat and sales growth in apparel was strong. Loblaw experienced modest average quarterly internal food price inflation during the first quarters of 2012 and 2011, which was lower than the average quarterly national food price inflation of 3.7% (2011 – 2.5%) as measured by “The Consumer Price Index for Food Purchased from Stores”. Since the end of the first quarter of 2011, Loblaw opened 25 corporate and franchise stores and closed five corporate and franchise stores, resulting in a net increase of 0.6 million square feet, or 1.2%. Loblaw sales in the first quarter of 2012 were also positively impacted by an increase in revenue from its Financial Services segment, which includes President’s Choice Bank (“PC Bank”), a subsidiary of Loblaw. The increase in Financial Services segment revenue was primarily driven by higher interchange fee income, interest income and *PC* Telecom revenues when compared to the same period in 2011.

Loblaw operating income in the first quarter of 2012 decreased by 21.3% to $237 million from $301 million in the same period in 2011.

Loblaw adjusted operating income[(1)] was $252 million in the first quarter of 2012 compared to $323 million in the same period in 2011. Loblaw adjusted operating margin[(1)] was 3.6% compared to 4.7% in the same period in 2011. The decreases in adjusted operating income[(1)] and adjusted operating margin[(1)] were attributable to increased transportation costs and higher input costs outpacing internal food price inflation, changes in the value of Loblaw’s investments in its franchise business, a charge 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 incremental costs related to investments in IT and supply chain. These decreases were partially offset by other operating cost efficiencies and improved shrink. Higher input costs that were not entirely passed on to the consumer included an estimated $10 million incremental investment in Loblaw’s customer proposition. Loblaw’s adjusted operating income[(1)] was also negatively impacted by the continued investment in the growth of its Financial Services segment, which includes PC Bank.

NET INTEREST EXPENSE AND OTHER FINANCING CHARGES

In the first quarter of 2012, net interest expense and other financing charges decreased by $22 million to $44 million compared to the same period in 2011. The decrease was due to an increase of $22 million in non-cash income related to the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares. Excluding this impact, net interest expense and other financing charges were flat compared to the same period in 2011.

(1) See non-GAAP financial measures beginning on page 18.

INCOME TAXES

In the first quarter of 2012, income tax expense was $59 million compared to $72 million in the same period in 2011. The effective income tax rate decreased to 25.7% in the first quarter of 2012 compared to 30.4% in the same period in 2011. The decrease was primarily due to a decrease in income tax expense related to certain prior year income tax matters, reductions in the federal and Ontario statutory income tax rates and a reduction in non-deductible amounts.

FREE CASH FLOW(1)

The Company's free cash flow(1) was negative $296 million in the first quarter of 2012 compared to negative $278 million in the same period in 2011. The decline of $18 million was primarily due to the year-over-year decrease in net earnings before non-cash items and seasonal non-cash working capital requirements, partially offset by a decrease in fixed asset purchases.

Free cash flow(1) is typically negative in the first quarter and is expected to improve throughout the remainder of the year due to quarterly net earnings and improvements in cash flows from non-cash working capital.

OUTLOOK(2)

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

For the full year 2012, Weston Foods expects to deliver sales in line with 2011 as market conditions are expected to remain challenging. Higher commodity and input costs experienced in the first quarter are expected to continue in the second quarter of 2012, putting increased pressure on operating margins when compared to the same periods in 2011. Weston Foods will continue its efforts to reduce costs through improved efficiencies and ongoing cost reduction initiatives in an effort to achieve full year operating margins in line with those in 2011.

Loblaw is focused on consistent execution to exceed customer expectations with the right assortment, improved in-store experience and competitive prices across all banners. For the full year 2012, Loblaw estimates operating income to be down year-over-year, with more pressure in the first half of the year, as it does not expect its operations to cover the incremental costs related to investments in IT and supply chain and the ongoing investments in its customer proposition.

For the remainder of 2012, George Weston Limited anticipates adjusted basic net earnings per common share(1) to be down year-over-year, primarily due to the impact of the incremental costs at Loblaw.

[signed]	[signed]
W. Galen Weston	**Paviter S. Binning**
Executive Chairman	President

Toronto, Canada
May 7, 2012

(1) See non-GAAP financial measures beginning on page 18.
(2) To be read in conjunction with "Forward-Looking Statements" beginning on page 23.

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 first quarter 2012 unaudited interim period condensed consolidated financial statements and the accompanying notes on pages 25 to 42 of this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2011 and the related annual MD&A included in the Company's 2011 Annual Report. In addition, the following MD&A should be read in conjunction with the Company's "Forward-Looking Statements" beginning on page 23 of this Quarterly Report.

The Company's first quarter 2012 unaudited interim period condensed consolidated financial statements and the accompanying notes are prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"). 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 146 of the Company's 2011 Annual Report. In addition, this Quarterly Report includes the following terms: "adjusted debt[(1)] to rolling year adjusted EBITDA[(1)]", which is defined as adjusted 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 equity attributable to common shareholders of the Company", which is defined as cumulative net earnings available to common shareholders of the Company for the latest four quarters divided by average total equity attributable to common shareholders of the Company.

The information in this MD&A is current to May 7, 2012, unless otherwise noted.

KEY FINANCIAL PERFORMANCE INDICATORS

The Company has identified specific key financial performance indicators to measure the progress of short and long term objectives. Key financial performance indicators are set out below:

(unaudited)
($ millions except where otherwise indicated)

	12 Weeks Ended	
As at or for the periods ended as indicated	**Mar. 24, 2012**	Mar. 26, 2011
Sales growth (decline)	**1.1%**	(0.2)%
Operating income	**$ 274**	$ 303
Adjusted operating income[(1)]	**$ 311**	$ 380
Adjusted operating margin[(1)]	**4.3%**	5.3%
Adjusted EBITDA[(1)]	**$ 495**	$ 546
Adjusted EBITDA margin[(1)]	**6.9%**	7.6%
Net earnings attributable to shareholders of the Company	**$ 124**	$ 105
Basic net earnings per common share ($)	**$ 0.89**	$ 0.74
Adjusted basic net earnings per common share[(1)] ($)	**$ 0.89**	$ 1.07
Working capital	**$ 3,417**	$ 2,667
Cash and cash equivalents, short term investments and security deposits	**$ 3,703**	$ 3,325
Cash flows used in operating activities	**$ (38)**	$ (6)
Adjusted debt[(1)]	**$ 5,933**	$ 5,881
Adjusted debt[(1)] to rolling year adjusted EBITDA[(1)]	**2.5x**	2.5x
Adjusted debt[(1)] to equity attributable to shareholders of the Company	**1.07**	1.11
Free cash flow[(1)]	**$ (296)**	$ (278)
Interest coverage[(1)]	**6.2x**	4.6x
Rolling year return on average net assets[(1)]	**12.2%**	12.6%
Rolling year return on average equity attributable to common shareholders of the Company	**13.3%**	9.8%

(1) See non-GAAP financial measures beginning on page 18.

The Company uses non-GAAP financial measures. See the "Non-GAAP Financial Measures" section of this MD&A for more information on these non-GAAP financial measures.

CONSOLIDATED RESULTS OF OPERATIONS

Sales Sales for the first quarter of 2012 increased by 1.1% to $7,224 million from $7,148 million in the same period in 2011.

The Company's first quarter year-over-year change in consolidated sales was impacted by each of its reportable operating segments as follows:

- Positively by 0.2% due to sales growth of 3.7% at Weston Foods. Foreign currency translation positively impacted sales by approximately 0.8%. Excluding this impact, sales increased 2.9% due to the positive impact of higher pricing across key product categories of 4.2%, partially offset by a decrease in volumes of 1.3% when compared to the same period in 2011.

- Positively by 0.9% due to sales growth of 0.9% at Loblaw. Retail segment sales increased by 0.8% and same-store sales declined by 0.7% (2011 – 0.1%), both negatively impacted by the effect of one less day of store operations estimated to be between 0.8% to 1.0%. Sales in food and drugstore were flat, gas bar sales growth was strong, sales in general merchandise, excluding apparel, were flat and sales growth in apparel was strong. Loblaw experienced modest average quarterly internal food price inflation during the first quarters of 2012 and 2011, which was lower than the average quarterly national food price inflation of 3.7% (2011 – 2.5%) as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI"). Since the end of the first quarter of 2011, Loblaw opened 25 corporate and franchise stores and closed five corporate and franchise stores, resulting in a net increase of 0.6 million square feet, or 1.2%. Loblaw sales in the first quarter of 2012 were also positively impacted by an increase in revenue from its Financial Services segment, which includes President's Choice Bank ("PC Bank"), a subsidiary of Loblaw. The increase in Financial Services segment revenue was primarily driven by higher interchange fee income, interest income and *PC* Telecom revenues when compared to the same period in 2011.

Operating Income Operating income in the first quarter of 2012 was $274 million compared to $303 million in the same period in 2011, a decrease of $29 million. Adjusted operating income(1) in the first quarter of 2012 was $311 million compared to $380 million in the same period in 2011, a decrease of $69 million or 18.2%. The Company's adjusted operating margin(1) in the first quarter of 2012 decreased to 4.3% from 5.3% in the same period in 2011.

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

- Positively by 0.5% due to an increase of 3.5% in adjusted operating income(1) at Weston Foods. Adjusted operating income(1) in the first quarter of 2012 was positively impacted by higher pricing in key product categories and the benefits realized from productivity improvements and other cost reduction initiatives, which were partially offset by higher commodity and fuel costs and lower sales volumes in the first quarter of 2012 compared to the same period in 2011.

(1) See non-GAAP financial measures beginning on page 18.

- Negatively by 18.7% due to a decrease of 22.0% in adjusted operating income[(1)] at Loblaw. The decreases in adjusted operating income[(1)] and adjusted operating margin[(1)] were attributable to increased transportation costs and higher input costs outpacing internal food price inflation, changes in the value of Loblaw's investments in its franchise business, a charge 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 incremental costs related to investments in information technology ("IT") and supply chain[(2)]. These decreases were partially offset by other operating cost efficiencies and improved shrink. Higher input costs that were not entirely passed on to the consumer included an estimated $10 million incremental investment in Loblaw's customer proposition. Loblaw's adjusted operating income[(1)] was also negatively impacted by the continued investment in the growth of its Financial Services segment, which includes PC Bank.

The Company's adjusted EBITDA margin[(1)] decreased to 6.9% from 7.6% in the same period in 2011. The margin was negatively impacted by declines in adjusted EBITDA margin[(1)] at both Weston Foods and Loblaw when compared to the same period in 2011.

Net Interest Expense and Other Financing Charges

In the first quarter of 2012, net interest expense and other financing charges decreased by $22 million to $44 million compared to the same period in 2011. The decrease was due to an increase of $22 million in non-cash income related to the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares. Excluding this impact, net interest expense and other financing charges were flat compared to the same period in 2011.

Income Taxes

In the first quarter of 2012, income tax expense was $59 million compared to $72 million in the same period in 2011. The effective income tax rate decreased to 25.7% in the first quarter of 2012 compared to 30.4% in the same period in 2011. The decrease was primarily due to a decrease in income tax expense related to certain prior year income tax matters, reductions in the federal and Ontario statutory income tax rates and a reduction in non-deductible amounts.

Subsequent to the end of the first quarter of 2012, the Ontario government announced deferrals in the enactment of certain reductions in Ontario corporate income tax rates. The effect of these deferrals is not expected to have a significant impact on the Company's results of operations.

In 2011, the Department of Finance released legislative proposals relating to the taxation of Canadian corporations with foreign affiliates. Under these proposals, the Company (excluding Loblaw) would 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 could not be offset against realized foreign currency gains. As at the end of the first quarter of 2012, 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 in the first quarter of 2012 were $124 million compared to $105 million and basic net earnings per common share were $0.89 compared to $0.74 in the same period in 2011. Adjusted basic net earnings per common share[(1)] in the first quarter of 2012 decreased to $0.89 compared to $1.07 in the same period in 2011 and excluded the year-over-year favourable impact of certain items, primarily the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares, restructuring and other charges and the fair value adjustment of commodity derivatives at Weston Foods.

(1) See non-GAAP financial measures beginning on page 18.
(2) Incremental costs related to investments in IT and supply chain include IT costs, depreciation and amortization and supply chain project costs.

REPORTABLE OPERATING SEGMENTS

Weston Foods

(unaudited)	12 Weeks Ended	
($ millions)	**Mar. 24, 2012**	Mar. 26, 2011
Sales	**$ 425**	$ 410
Operating income	**$ 60**	$ 19
Adjusted operating income(1)	**$ 59**	$ 57
Adjusted operating margin(1)	**13.9%**	13.9%
Adjusted EBITDA(1)	**$ 73**	$ 71
Adjusted EBITDA margin(1)	**17.2%**	17.3%

Sales Weston Foods sales in the first quarter of 2012 increased by 3.7% to $425 million compared to the same period in 2011. Foreign currency translation positively impacted sales by approximately 0.8%. Excluding this impact, sales increased 2.9% due to the positive impact of higher pricing across key product categories of 4.2%, partially offset by a decrease in volumes of 1.3% when compared to the same period in 2011.

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

Fresh bakery sales decreased by approximately 0.5% in the first quarter of 2012 compared to the same period in 2011 due to lower sales volumes, primarily due to continuing market softness in a difficult sales environment. The decline in volumes was partially offset by higher pricing across key product categories, primarily as a result of price increases implemented in the beginning of the second quarter of 2011. The introduction of new products, such as the *Première Fournée de Weston* line of artisan inspired breads and the relaunch of the *Wonder* and *Gadoua MultiGo* lines of breads that are free of artificial additives including preservatives, colours and flavours, contributed positively to branded sales in the first quarter of 2012.

Frozen bakery sales increased by approximately 0.8% in the first quarter of 2012 compared to the same period in 2011, mainly due to higher pricing across key product categories, partially offset by lower sales volumes. The decline in volume in certain product categories was partially offset by the positive impact of the timing of customer orders related to the Easter holiday.

Biscuit sales, principally cookies, crackers, wafers and ice cream cones, increased by approximately 11.8% in the first quarter of 2012 compared to the same period in 2011 mainly due to higher sales volumes combined with higher pricing in certain product categories. Volumes increased in the first quarter of 2012 compared to the same period in 2011 mainly due to growth in cookie sales, including Girl Scout products.

Operating Income Operating income in the first quarter of 2012 was $60 million compared to $19 million in the same period in 2011. The change in restructuring and other charges, the fair value adjustment of commodity derivatives and share-based compensation net of equity derivatives had a year-over-year favourable impact of $39 million on Weston Foods operating income.

Adjusted operating income(1) increased by $2 million, or 3.5%, to $59 million in the first quarter of 2012 from $57 million in the same period in 2011. Adjusted operating margin(1) remained unchanged at 13.9% in the first quarters of both 2012 and 2011.

Gross margin, excluding the impact of the fair value adjustment of commodity derivatives, decreased in the first quarter of 2012 compared to the same period in 2011 primarily as a result of the increase in commodity costs. The fair value adjustment of commodity derivatives is described in the "Non-GAAP Financial Measures" section of this MD&A.

(1) See non-GAAP financial measures beginning on page 18.

Adjusted operating income[1] in the first quarter of 2012 was positively impacted by higher pricing in key product categories and the benefits realized from productivity improvements and other cost reduction initiatives, which were partially offset by higher commodity and fuel costs and lower sales volumes in the first quarter of 2012 compared to the same period in 2011.

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 first quarter of 2012, a charge of $1 million (2011 – $6 million) was recorded in operating income. The charge recorded in the first quarter of 2011 was related to the ratification of a new collective agreement in conjunction with the acquisition of Colonial Cookies, a biscuit manufacturer in Ontario.

Weston Foods participates in various multi-employer pension plans, providing pension benefits to union employees pursuant to provisions of collective bargaining agreements. As at the end of the first quarter of 2012, Weston Foods was assessing the potential withdrawal from one of the United States multi-employer pension plans in which it participates. The Company would be subject to a withdrawal liability if and when it permanently withdraws from the plan, which would be payable over an extended period of time. Until the current actuarial valuation is made available, the actual amount of the potential withdrawal liability is unknown. Based on the most recent actuarial valuation, completed as at December 31, 2010, the withdrawal liability related to this plan was estimated to be approximately $31 million. No amount has been provided for in the Company's financial statements in the first quarter of 2012.

Adjusted EBITDA[1] increased by $2 million to $73 million in the first quarter of 2012 from $71 million in the same period in 2011. Adjusted EBITDA margin[1] decreased in the first quarter of 2012 to 17.2% from 17.3% in the same period in 2011.

Loblaw

(unaudited)	12 Weeks Ended	
($ millions)	**Mar. 24, 2012**	Mar. 26, 2011
Sales	**$ 6,937**	$ 6,872
Operating income	**$ 237**	$ 301
Adjusted operating income[1]	**$ 252**	$ 323
Adjusted operating margin[1]	**3.6%**	4.7%
Adjusted EBITDA[1]	**$ 422**	$ 475
Adjusted EBITDA margin[1]	**6.1%**	6.9%

Loblaw has two reportable operating segments: Retail and Financial Services. Loblaw is one reportable operating segment of GWL.

Sales Loblaw sales in the first quarter of 2012 increased by 0.9% to $6,937 million compared to the same period in 2011. The increase in Retail segment sales in the first quarter of 2012 when compared to the same period in 2011 was impacted by the following factors:

- one less day of store operations estimated to have a negative effect of 0.8% to 1.0% on Retail segment sales and same-store sales;
- same-store Retail segment sales declined by 0.7% (2011 – 0.1%);
- sales in food were flat;
- sales in drugstore were flat;
- gas bar sales growth was strong as a result of higher retail gas prices, partially offset by a marginal volume decline;
- sales in general merchandise, excluding apparel, were flat;

(1) See non-GAAP financial measures beginning on page 18.

- sales growth in apparel was strong, partially driven by increased apparel square footage;
- Loblaw experienced modest average quarterly internal food price inflation during the first quarters of 2012 and 2011, which was lower than the average quarterly national food price inflation of 3.7% (2011 – 2.5%) as measured by CPI. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores; and
- 25 corporate and franchise stores were opened and five corporate and franchise stores were closed since the first quarter of 2011 resulting in a net increase of 0.6 million square feet, or 1.2%.

Loblaw sales in the first quarter of 2012 were also positively impacted by an increase in revenue of $14 million from its Financial Services segment, which includes PC Bank, when compared to the same period in 2011. The increase was primarily driven by increased credit card transaction values and receivable balances, resulting in higher interchange fee and interest income. Higher *PC* Telecom revenues resulting from the 2011 launch of the new Mobile Shop kiosks also contributed to the increase.

Operating Income Loblaw operating income in the first quarter of 2012 was $237 million compared to $301 million in the same period in 2011.

Loblaw adjusted operating income(1) decreased by $71 million to $252 million in the first quarter of 2012 compared to $323 million in the same period in 2011. Adjusted operating margin(1) was 3.6% compared to 4.7% in the same period in 2011.

Gross profit, generated by Loblaw's Retail segment, decreased by $25 million to $1,529 million in the first quarter of 2012 compared to $1,554 million in the same period in 2011. Gross profit as a percentage of Retail segment sales was 22.5% in the first quarter of 2012 compared to 23.0% in the same period in 2011. These declines were primarily driven by increased transportation costs and higher input costs outpacing internal food price inflation, partially offset by improved shrink. Higher input costs that were not entirely passed on to the consumer included an estimated $10 million incremental investment in Loblaw's customer proposition. The decline in gross profit percentage was also attributable to a higher proportion of lower margin gas bar sales.

The decreases in adjusted operating income(1) and adjusted operating margin(1) were attributable to the decrease in Retail segment gross profit, a charge of $15 million (2011 – nil) 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, incremental costs of $13 million related to investments in IT and supply chain, including incremental depreciation and amortization of $10 million, and changes in the value of Loblaw's investments in its franchise business, partially offset by other operating cost efficiencies. Adjusted operating income(1) was also negatively impacted by higher customer acquisition costs and operational costs, which ramped up in the latter half of 2011, consistent with Loblaw's continued investment in the growth of its Financial Services segment, which includes PC Bank. Increased *PC* Points loyalty costs and investments in the launch of the Mobile Shop kiosks also contributed to the decrease in adjusted operating income(1).

In the first quarter of 2012, a charge of $3 million (2011 – $21 million) was recorded in operating income related to changes in Loblaw's distribution network. In the first quarter of 2011, a charge of $8 million was also recorded related to an internal realignment of Loblaw's business centered around its two primary store formats, conventional and discount.

Adjusted EBITDA(1) in the first quarter of 2012 decreased by $53 million, or 11.2%, to $422 million from $475 million, compared to the same period in 2011. Adjusted EBITDA margin(1) was 6.1% compared to 6.9% in the same period in 2011.

(1) See non-GAAP financial measures beginning on page 18.

During the first quarter of 2012, Loblaw reached an agreement to purchase prescription files from 95 Zellers Inc. stores for approximately $35 million. Actual cash outlays will be determined and may differ from initial estimates as each store's closing is finalized through the second and third quarters of 2012.

CONSOLIDATED FINANCIAL CONDITION

Working Capital The Company's working capital was $3,417 million as at the end of the first quarter of 2012 compared to $2,667 million as at the end of the first quarter of 2011 and $3,355 million as at year end 2011.

The Company defines working capital as current assets, including cash and cash equivalents and short term investments, less current liabilities.

The increase of $750 million when compared to the first quarter of 2011 was primarily driven by net earnings before non-cash items and long term debt issuances, partially offset by fixed asset purchases, income taxes, net interest and dividends paid and GWL's and Loblaw's purchase of common shares for cancellation. Loblaw's increased credit card receivables due to additional active accounts and higher credit card transaction values also contributed to the increase.

The increase of $62 million when compared to year end 2011 was primarily driven by net earnings before non-cash items, partially offset by fixed asset purchases and income taxes, net interest and dividends paid. In the first quarter of 2012, working capital included the normal seasonal settlement of trade and other payables and the resulting decline in cash and cash equivalents.

Free Cash Flow(1) The Company's free cash flow(1) was negative $296 million in the first quarter of 2012 compared to negative $278 million in the same period in 2011. The decline of $18 million was primarily due to the year-over-year decrease in net earnings before non-cash items and seasonal non-cash working capital requirements, partially offset by a decrease in fixed asset purchases.

Free cash flow(1) is typically negative in the first quarter and is expected to improve throughout the remainder of the year due to quarterly net earnings and improvements in cash flows from non-cash working capital.

Dividends On March 15, 2012, preferred share dividends of $0.36 per share for the Series I preferred shares were paid. In addition, 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 subsequent to the end of the first quarter of 2012.

Subsequent to the end of the first quarter of 2012, 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 July 1, 2012, were declared by the Board of Directors. In addition, dividends of $0.36 per share for the Series I preferred shares, payable on June 15, 2012 were also declared.

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.

Normal Course Issuer Bid ("NCIB") Programs During the first quarter of 2012, GWL purchased for cancellation 1,881 (2011 – nil) of its common shares for a nominal amount (2011 – nil). During the first quarter of 2012, Loblaw purchased for cancellation 54,908 (2011 – nil) of its common shares for $2 million (2011 – nil).

Subsequent to the end of the first quarter of 2012, Loblaw renewed its NCIB program to purchase on the Toronto Stock Exchange ("TSX") or enter into equity derivatives to purchase up to 14,070,352 of its common shares, representing approximately 5% of the common shares outstanding. In accordance with the rules and regulations of the TSX, any purchases must be at the then market price of such shares. Also subsequent to the end of the first quarter of 2012, GWL filed a Notice of Intention to renew its NCIB program with the TSX.

(1) See non-GAAP financial measures beginning on page 18.

Cash and Cash Equivalents, Short Term Investments and Security Deposits As at the end of the first quarter of 2012, the Company had cash and cash equivalents, short term investments and security deposits of $3,703 million (2011 – $3,325 million), including U.S. $2,240 million (2011 – U.S. $2,174 million) that was held primarily by Dunedin Holdings GmbH ("Dunedin"), a subsidiary of GWL, and certain of its affiliates and Glenhuron Bank Limited ("Glenhuron"), a wholly owned subsidiary of Loblaw.

In the first quarter of 2012, a loss of $14 million (2011 – $10 million) was recognized in other comprehensive income (loss) related to the effect of foreign currency translation on the Company's (excluding Loblaw's) U.S. net investment in foreign operations. In addition, a loss of $23 million (2011 – $17 million) was recorded in selling, general and administrative expenses related to 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 foreign operations that have the same functional currency as that of the Company.

In addition, in the first quarter of 2012, a loss of $25 million (2011 – $18 million) was recognized in operating income as a result of translating U.S. dollar denominated cash and cash equivalents, short term investments and security deposits held by Glenhuron. Cross currency swaps partially offset the effect of this foreign currency translation. See cross currency swaps section below.

Cross Currency Swaps Glenhuron has outstanding cross currency swaps to exchange U.S. dollars for $1,213 million (2011 – $1,210 million) Canadian dollars, which mature by 2018. During the first quarter of 2012, a fair value gain of $28 million (2011 – $21 million) was recognized in operating income relating to these cross currency swaps.

In 2008, Loblaw entered into fixed cross currency swaps to exchange $296 million Canadian dollars for U.S. $300 million, which mature by 2015. In the first quarter of 2012, Loblaw recognized an unrealized fair value loss of $4 million (2011 – $9 million) in operating income related to these cross currency swaps. In addition, in the first quarter of 2012, Loblaw recognized an unrealized foreign currency translation gain of $7 million (2011 – $6 million) in operating income related to its U.S. $300 million fixed-rate private placement notes.

Interest Rate Swaps Loblaw maintains a notional $150 million (2011 − $150 million) in interest rate swaps, on which it pays a fixed rate of 8.38%. In the first quarter of 2012, Loblaw recognized a nominal (2011 – nominal) fair value gain in operating income related to these swaps.

Equity Derivative Contracts As at the end of the first quarter of 2012, GWL had equity swap contracts to buy 0.8 million (2011 – 1.7 million) GWL common shares at a forward price of $107.26 (2011 – average forward price of $95.42). As at the end of the first quarter of 2012, the fair value of $35 million (2011 – $49 million) was recorded in trade and other payables. In the first quarter of 2012, GWL recorded a fair value loss of $3 million (2011 – $16 million) in operating income related to these equity swap contracts.

As at the end of the first quarter of 2012, Glenhuron had equity forward contracts to buy 1.1 million (2011 – 1.5 million) Loblaw common shares at an average forward contract price of $56.57 (2011 – $56.37), including interest expense of $0.14 (2011 – $0.15) per common share. As at the end of the first quarter of 2012, the fair value of $25 million (2011 – $27 million) was included in trade and other payables. In the first quarter of 2012, Glenhuron recognized a fair value loss of $5 million (2011 – $3 million) in operating income related to these equity forward contracts.

In 2001, Weston Holdings Limited, a subsidiary of GWL, entered into an equity forward sale agreement based on 9.6 million Loblaw common shares at an original forward price of $48.50 per Loblaw common share. As at the end of the first quarter of 2012, the forward price had increased to $89.08 (2011 – $85.02) per Loblaw common share under the terms of the agreement and the fair value of this forward sale agreement of $529 million (2011 – $450 million) was recorded in other assets. In the first quarter of 2012, a fair value gain of $42 million (2011 – $20 million) was recorded in net interest expense and other financing charges related to this equity forward sale agreement.

LIQUIDITY AND CAPITAL RESOURCES

Major Cash Flow Components

(unaudited)	12 Weeks Ended	
($ millions)	**Mar. 24, 2012**	Mar. 26, 2011
Cash flows used in operating activities	**$ (38)**	$ (6)
Cash flows (used in) from investing activities	**$ (43)**	$ 907
Cash flows used in financing activities	**$ (149)**	$ (1,597)

Cash Flows used in Operating Activities First quarter 2012 cash flows used in operating activities were $38 million compared to $6 million used in the same period in 2011. This increase in cash outflows was primarily due to the year-over-year decrease in net earnings before non-cash items and seasonal non-cash working capital requirements.

Cash Flows (used in) from Investing Activities First quarter 2012 cash flows used in investing activities were $43 million compared to cash flows from investing activities of $907 million in the same period in 2011. The significant cash inflows in the first quarter of 2011 were primarily due to the cash generated from short term investments and security deposits in order to fund the $1.0 billion special one-time common share dividend and the repayment of the *Eagle Credit Card Trust (“Eagle”)* notes as discussed in the “Cash Flows used in Financing Activities” section below.

Cash Flows used in Financing Activities First quarter 2012 cash flows used in financing activities were $149 million compared to $1,597 million in the same period in 2011. The significant cash outflows in the first quarter of 2011 were primarily due to the payment of the $1.0 billion special one-time common share dividend and the repayments of $500 million in *Eagle* notes and Loblaw’s $350 million 6.50% Medium Term Notes (“MTN”), partially offset by the securitization of $370 million in credit card receivables.

Defined Benefit Pension Plan Contributions During the first quarter of 2012, the Company contributed $15 million (2011 – $29 million) to its registered funded defined benefit pension plans. For the remainder of 2012, the Company expects to contribute approximately $157 million to its registered funded defined benefit pension plans. The actual amount contributed may vary from the estimate based on changes in actuarial valuations, investment performance, volatility in discount rates, regulatory requirements and other factors. The Company also expects to continue making contributions for the remainder of 2012 to its defined contribution plans and the multi-employer pension plans in which it continues to participate as well as benefit payments to the beneficiaries of the supplemental unfunded defined benefit pension plans, other defined benefit plans and other long term employee benefit plans.

Sources of Liquidity The Company holds significant cash and cash equivalents and short term investments denominated in Canadian and U.S. dollars. These funds are invested in highly liquid marketable short term investments consisting primarily of government treasury bills, corporate commercial paper, banker’s acceptances, bank term deposits and government agency securities.

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.

During 2011, GWL filed a Short Form Base Shelf Prospectus (“Prospectus”), which allows for the issuance of up to $1.5 billion of unsecured debentures and/or preferred shares over a 25-month period, and a Prospectus Supplement creating an MTN, Series 2 program pursuant to which it may issue unsecured debentures up to $1.0 billion. On October 25, 2011, GWL issued $350 million principal amount of 5 year unsecured MTN, pursuant to this program. GWL may refinance maturing long term debt with MTNs if market conditions are appropriate or it may consider other alternatives. The Company (excluding Loblaw) does not foresee any impediments in obtaining financing to satisfy its long term obligations.

Loblaw expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against its $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 MTNs if market conditions are appropriate or it may consider other alternatives. In addition, given reasonable access to capital markets, Loblaw does not foresee any material impediments in obtaining financing to satisfy its long term obligations.

Loblaw's $800 million committed credit facility contains certain financial covenants with which Loblaw was in compliance throughout the quarter. During the first quarter of 2012, Loblaw renewed and extended its committed credit facility to March 2017. Loblaw's key financial covenants under this agreement remained substantially the same. As at the end of the first quarters of 2012 and 2011, there were no amounts drawn under the committed credit facility.

During 2010, Loblaw filed a Prospectus which allows for the issuance of up to $1.0 billion of unsecured debentures and/or preferred shares over a 25-month period. As at the end of the first quarters of 2012 and 2011, there were no issuances under the Prospectus. Loblaw intends to renew its Prospectus which expires on December 25, 2012.

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. 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 first quarter of 2012 (2011 – $81 million). The standby letters of credit are based on a portion of the securitized amount.

Independent Funding Trusts Certain independent franchisees of Loblaw obtain financing through a structure involving independent funding trusts. These trusts were created to provide loans to the independent franchisees to facilitate their purchase of inventory and fixed assets, consisting mainly of fixtures and equipment. These independent funding trusts are administered by a major Canadian chartered bank.

The gross principal amount of loans issued to Loblaw's independent franchisees by the independent funding trusts as at the end of the first quarter of 2012 was $446 million (2011 – $408 million). Loblaw has agreed to provide credit enhancement of $48 million (2011 – $66 million) in the form of a standby letter of credit for the benefit of the independent funding trust representing not less than 10% (2011 – 15%) of the principal amount of the loans outstanding.

In addition to participating in various securitization programs to fund its operations, PC Bank obtains short term and long term financing through its Guaranteed Investment Certificates ("GIC") program. During the first quarter of 2012, PC Bank sold $1 million (2011 – $46 million), before nominal commissions (2011 – nominal), in GICs through independent brokers. In addition, during the first quarter of 2012, $14 million (2011 – nil) of GICs matured and were repaid. As at the end of the first quarter of 2012, $263 million (2011 – $64 million), before commissions of $2 million (2011 – nil), of outstanding GICs were recorded in long term debt, of which $42 million (2011 – $19 million) were recorded as long term debt due within one year.

The Company has agreements to cash collateralize certain of its uncommitted credit facilities up to an amount of $128 million of which $125 million was deposited with major Canadian chartered banks and classified as security deposits as at the end of the first quarter of 2012 (2011 – nil).

The credit ratings of GWL and Loblaw did not change in the first quarter of 2012. The following table sets out the current credit ratings of GWL:

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

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

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

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.

Quarterly Financial Information (unaudited)

($ millions except where otherwise indicated)	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	2012	2011	2011	2010	2011	2010	2011	2010
Sales	**$ 7,224**	$ 7,148	$ 7,636	$ 7,375	$ 10,061	$ 9,826	$ 7,531	$ 7,482
Net earnings attributable to shareholders of the Company	**$ 124**	$ 105	$ 109	$ 111	$ 264	$ 176	$ 157	$ 128
Net earnings per common share ($)								
Basic	**$ 0.89**	$ 0.74	$ 0.77	$ 0.78	$ 1.94	$ 1.26	$ 1.13	$ 0.91
Diluted	**$ 0.89**	$ 0.71	$ 0.72	$ 0.70	$ 1.93	$ 1.21	$ 1.08	$ 0.85

Consolidated quarterly sales for the last eight quarters were impacted by the following significant items: the acquisition of ACE Bakery Ltd. by Weston Foods in the fourth quarter of 2010, the acquisition of Keystone Bakery Holdings, LLC 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:

- the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and short term investments held by foreign operations;
- restructuring and other charges incurred by Weston Foods and Loblaw;
- fluctuations in share-based compensation net of equity derivatives of both GWL and Loblaw;
- the fair value adjustment of commodity derivatives at Weston Foods;
- the fair value adjustment of the forward sale agreement for 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 and fourth quarters 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 recorded in the fourth quarter of 2010;
- incremental costs related to Loblaw's investment in IT and supply chain; and
- seasonality and the timing of holidays. The impact of Weston Foods seasonality is greatest in the third and fourth quarters and least in the first quarter. The impact of Loblaw seasonality is greatest in the fourth quarter and least in the first quarter.

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 judgement in evaluating controls and procedures.

There were no changes in the Company's internal control over financial reporting during the first quarter of 2012 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 36 of the 2011 annual MD&A as well as note 29 to the audited annual consolidated financial statements, included in the Company's 2011 Annual Report. The following is an update to those enterprise risks and risk management strategies:

Information Technology and Other Systems Implementations Loblaw continues to undertake a major upgrade of its IT infrastructure. In 2010, Loblaw began to implement a new IT system. This project, along with other systems implementations planned for 2012 and beyond, constitutes one of the largest technology infrastructure programs ever implemented by Loblaw and is fundamental to its long term growth strategies. During the first quarter of 2012, Loblaw successfully added supply chain master data to the IT system. A substantial amount of this master data, including delivery schedules and certain costing information, now originates in the new IT system. Completing the IT system deployment will require continued focus and significant investment. The failure to successfully migrate from legacy systems to the IT system could negatively affect the Company's reputation, operations, revenues and financial performance. Failure or disruption in Loblaw's current IT systems during the implementation of the new IT and other 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 IT system may result in inefficiencies and duplication in current processes.

Regulatory Subsequent to the end of the first quarter of 2012, the provincial governments of New Brunswick and Newfoundland introduced amendments and the provincial governments of British Columbia and Ontario announced further amendments to the regulation of generic prescription drug prices paid by provincial governments pursuant to public drug benefit plans. Under these amendments, the prices paid by the provincial drug plans for generic drugs are being reduced. 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, but despite these efforts, the amendments could have an adverse effect on the financial performance of the Company.

ACCOUNTING STANDARDS IMPLEMENTED IN 2012

Financial Instruments – Disclosures On October 7, 2010, the International Accounting Standards Board ("IASB") issued amendments to IFRS 7, "Financial Instruments: Disclosures", which increase the disclosure requirements for transactions involving transfers of financial assets to help users of the financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. These amendments are effective and have been implemented in the first quarter of 2012.

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. These amendments are effective in the first quarter of 2012. As part of its transition to IFRS, the Company has elected to account for its investment properties at cost and as such the amendments did not have an impact on the Company's results of operations or financial condition.

OUTLOOK(1)

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

For the full year 2012, Weston Foods expects to deliver sales in line with 2011 as market conditions are expected to remain challenging. Higher commodity and input costs experienced in the first quarter are expected to continue in the second quarter of 2012, putting increased pressure on operating margins when compared to the same periods in 2011. Weston Foods will continue its efforts to reduce costs through improved efficiencies and ongoing cost reduction initiatives in an effort to achieve full year operating margins in line with those in 2011.

Loblaw is focused on consistent execution to exceed customer expectations with the right assortment, improved in-store experience and competitive prices across all banners. For the full year 2012, Loblaw estimates operating income to be down year-over-year, with more pressure in the first half of the year, as it does not expect its operations to cover the incremental costs related to investments in IT and supply chain and the ongoing investments in its customer proposition.

For the remainder of 2012, George Weston Limited anticipates adjusted basic net earnings per common share(2) to be down year-over-year, primarily due to the impact of the incremental costs at Loblaw.

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 63.0%-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. These filings are also available on Loblaw's corporate website at www.loblaw.ca.

(1) To be read in conjunction with "Forward-Looking Statements" beginning on page 23.

(2) See non-GAAP financial measures beginning on page 18.

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, adjusted debt, adjusted debt to rolling year adjusted EBITDA, adjusted debt to equity attributable to shareholders of the Company, free cash flow, interest coverage 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.

Certain expenses and income that must be recognized under GAAP are not necessarily reflective of the Company's underlying operating performance. For this reason, management uses certain non-GAAP financial measures to exclude the impact of these items 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 certain items does not imply that they are non-recurring. Loblaw does not report its results of operations on an adjusted basis, however the Company excludes the impact of certain Loblaw items, as applicable, when reporting its consolidated and segment results.

These non-GAAP financial 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 and Adjusted EBITDA

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.

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.

	12 Weeks Ended							
				Mar. 24, 2012				Mar. 26, 2011
(unaudited) ($ millions)	**Weston Foods**	**Loblaw**	**Other[1]**	**Consolidated**	Weston Foods	Loblaw	Other[1]	Consolidated
Net earnings attributable to shareholders of the Company				**$ 124**				$ 105
Add impact of the following:								
Non-controlling interests				**47**				60
Income taxes				**59**				72
Net interest expense and other financing charges				**44**				66
Operating income (loss)	**$ 60**	**$ 237**	**$ (23)**	**$ 274**	$ 19	$ 301	$ (17)	$ 303
Add (deduct) impact of the following:								
Restructuring and other charges[2]	**1**	**3**		**4**	6	29		35
Fair value adjustment of commodity derivatives at Weston Foods	**(3)**			**(3)**	16			16
Share-based compensation net of equity derivatives	**1**	**12**		**13**	16	(7)		9
Foreign currency translation losses			**23**	**23**			17	17
Adjusted operating income	**$ 59**	**$ 252**	**$**	**$ 311**	$ 57	$ 323	$	$ 380
Depreciation and amortization	**14**	**170**		**184**	14	152		166
Adjusted EBITDA	**$ 73**	**$ 422**	**$**	**$ 495**	$ 71	$ 475	$	$ 546

(1) Operating income in the first quarter of 2012 included a loss of $23 million (2011 – $17 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 foreign operations.

(2) Other charges at Loblaw in the first quarter of 2012 included $3 million (2011 – $21 million) related to changes in Loblaw's distribution network. In the first quarter of 2011, a charge of $8 million was also recorded related to an internal realignment of Loblaw's business centered around its two primary store formats, conventional and discount.

First quarter year-over-year changes in the following items influenced operating income:

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.

Fair value adjustment of commodity derivatives 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. Hedge accounting is not applied to these commodity derivatives and as a result, changes in their fair value, which include realized and unrealized gains and losses related to future purchases of raw materials, are recorded in operating income. In the first quarter of 2012, Weston Foods recorded income of $3 million (2011 – a charge of $16 million) related to the fair value adjustment of exchange traded commodity derivatives. 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.

Share-based compensation net of equity derivatives Both GWL and Glenhuron have entered into equity derivatives to partially hedge their exposure to the impact of increases in the value of GWL and Loblaw common shares on share-based compensation cost. The amount of net share-based compensation cost recorded in operating income is mainly dependent upon changes in the value of GWL and Loblaw common shares and the number and vesting of outstanding restricted share units ("RSU") and performance share units ("PSU") relative to the number of common shares underlying the equity derivatives. The Company assesses stock option plan, RSU plan, PSU 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. In the first quarter of 2012, a charge of $13 million (2011 – $9 million) was recorded related to share-based compensation net of equity derivatives.

Foreign currency translation losses The Company's consolidated financial statements are expressed in Canadian dollars. A portion of the Company's (excluding Loblaw's) net assets are denominated in U.S. dollars and as a result, the Company is exposed to 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 foreign operations is recorded in operating income. In the first quarter of 2012, foreign currency translation losses of $23 million (2011 – $17 million) were recorded in operating income as a result of the appreciation of the Canadian dollar.

Adjusted Basic Net Earnings per Common Share

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.

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.

(unaudited)	12 Weeks Ended	
($)	**Mar. 24, 2012**	Mar. 26, 2011
Basic net earnings per common share	**$ 0.89**	$ 0.74
(Deduct) add impact of the following[1]:		
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	**(0.25)**	(0.12)
Restructuring and other charges	**0.02**	0.13
Fair value adjustment of commodity derivatives at Weston Foods	**(0.02)**	0.09
Share-based compensation net of equity derivatives	**0.07**	0.10
Foreign currency translation losses	**0.18**	0.13
Adjusted basic net earnings per common share	**$ 0.89**	$ 1.07

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

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

Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares The fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares is non-cash and is included in consolidated net interest expense and other financing charges. The adjustment is determined by changes in the value of the underlying Loblaw shares. At maturity, any cash paid under the forward sale agreement could be offset by the sale of the underlying Loblaw common shares. The first quarter year-over-year increase in income related to the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares was $0.13 per common share and was attributable to a greater decrease in the market price of Loblaw common shares in the first quarter of 2012 compared to the same period in 2011.

Adjusted Debt

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

Adjusted debt to rolling year adjusted EBITDA is calculated as adjusted debt divided by cumulative EBITDA for the latest four quarters. Adjusted debt to equity attributable to shareholders of the Company is calculated as adjusted debt divided by total equity attributable to shareholders of the Company.

The following table reconciles adjusted debt used in the adjusted debt to rolling year adjusted EBITDA and adjusted debt to equity attributable to shareholders of the Company ratios to GAAP measures reported as at the periods ended as indicated.

(unaudited)		As at	
($ millions)	**Mar. 24, 2012**	Mar. 26, 2011	Dec. 31, 2011
Bank indebtedness		$ 1	$ 3
Short term debt	**$ 1,290**	1,251	1,280
Long term debt due within one year	**82**	352	87
Long term debt	**6,753**	6,164	6,757
Certain other liabilities	**39**	35	39
Fair value of financial derivatives related to the above debt	**(463)**	(353)	(425)
Total debt	**7,701**	7,450	7,741
Less: Short term debt - Other Independent Securitization trusts	**905**	905	905
Long term debt – *Eagle*	**600**	600	600
Guaranteed Investment Certificates	**263**	64	276
Adjusted debt	**5,933**	5,881	5,960

Capital securities are excluded from the calculation of adjusted debt.

Free Cash Flow

The Company believes that free cash flow is useful in assessing the Company’s cash available for additional funding and investing activities.

The following table reconciles free cash flow to GAAP measures reported for the periods ended as indicated.

(unaudited)	12 Weeks Ended	
($ millions)	**Mar. 24, 2012**	Mar. 26, 2011
Cash flows used in operating activities	**$ (38)**	$ (6)
Net decrease in credit card receivables	**(114)**	(110)
Less: Fixed assets purchases	**144**	162
Free cash flow	**$ (296)**	$ (278)

Interest Coverage

The Company believes interest coverage is useful in assessing the Company's ability to cover its net interest charges with its operating income.

The Company calculates interest coverage as operating income divided by net interest expense and other financing charges adding back interest capitalized to fixed assets.

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 rolling year return on average net assets as cumulative operating income for the latest four quarters divided by average net assets.

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)		As at	
($ millions)	**Mar. 24, 2012**	Mar. 26, 2011	Dec. 31, 2011
Total assets	**$ 20,722**	$ 19,817	$ 21,323
Less: Cash and cash equivalents	**1,134**	754	1,372
Short term investments	**2,221**	2,323	2,362
Security deposits	**348**	248	367
Fair value of the forward sale agreement for 9.6 million Loblaw common shares	**529**	450	478
Trade and other payables	**3,263**	3,280	3,940
Net assets	**$ 13,227**	$ 12,762	$ 12,804

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. These forward-looking statements are typically identified by 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. In this Quarterly Report, forward-looking statements include the Company's continued expectations that for the full year 2012:

For Weston Foods:

- sales will be in line with 2011;
- commodity and input costs in the first half of 2012 will be higher than the comparable period in 2011, putting increased pressure on operating margins in the first half of 2012 when compared to the same period in 2011; and
- efforts will be made to achieve full year operating margins in line with those in 2011.

For Loblaw Companies Limited ("Loblaw"):

- its capital expenditures will be approximately $1.1 billion;
- there will be incremental costs related to investments in information technology ("IT") and supply chain, as well as continued investment in Loblaw's customer proposition; and
- operating income will be down year-over-year, with more pressure in the first half of the year, as a result of Loblaw's expectation that its operations will not cover the incremental costs related to the investments in IT and supply chain and its customer proposition.

For the Company:

- adjusted basic net earnings per common share(1) will be down year-over-year.

These forward-looking statements are not historical facts but reflect the Company's current expectations concerning future results and events. They also reflect management's current assumptions regarding the risks and uncertainties referred to below and their respective impact on the Company. In addition, the Company's expectation with regard to Weston Foods' operating margins in 2012 is based in part on the assumptions that there will be no significant unanticipated increase in the price of commodities and other input costs that Weston Foods will not be able to offset through pricing, improved efficiencies and ongoing cost reduction initiatives. The Company's expectation with regard to Loblaw's operating income in 2012 is based in part on the assumptions that Loblaw achieves its plan to increase net retail square footage by 1% and there are no unexpected adverse events or costs related to Loblaw's investments in IT and supply chain. The Company's expectation with regard to adjusted basic net earnings per common share(1) in 2012 is based in part on the assumption that interest rates, income tax rates and the Company's ownership interest in Loblaw will be similar to those in 2011.

(1) See non-GAAP financial measures beginning on page 18.

Forward-Looking Statements

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:

- failure to realize sales growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including investments in the Company's IT systems and the Company's IT systems implementation, or unanticipated results from these initiatives;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business;
- unanticipated results associated with the Company's strategic initiatives and the impact of acquisitions or dispositions of businesses on the Company's future revenues and earnings;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- changes in economic conditions including the rate of inflation or deflation, changes in interest and foreign currency exchange rates and changes in derivative and commodity prices;
- public health events;
- risks associated with product defects, food safety and product handling;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements which could lead to work stoppages;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- failure by the Company to maintain appropriate records to support its compliance with accounting, tax or legal rules, regulations and policies;
- the availability and increased costs relating to raw materials, ingredients and utilities, including electricity and fuel;
- failure of the Company's franchise stores to perform as expected;
- reliance on the performance and retention of third-party service providers including those associated with the Company's supply chain and apparel business;
- supply and quality control issues with vendors;
- changes to or failure to comply with laws and regulations affecting the Company and its businesses, 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;
- changes in the Company's income, commodity, other tax and regulatory liabilities including changes in tax laws, regulations or future assessments;
- any requirement of the Company to make contributions to its registered funded defined benefit pension plans or the multi-employer pension plans in which it participates in excess of those currently contemplated;
- the risk that the Company would experience a financial loss if its counterparties fail to meet their obligations in accordance with the terms and conditions of their contracts with the Company; and
- the inability of the Company to collect on its credit card receivables.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. 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. Additional 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 the Company's 2011 Annual Report. 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.

Unaudited Interim Period Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Earnings

(unaudited)

(millions of Canadian dollars except where otherwise indicated)	12 Weeks Ended Mar. 24, 2012	Mar. 26, 2011
Revenue	**$ 7,224**	$ 7,148
Operating Expenses		
Cost of inventories sold (note 8)	**5,422**	5,341
Selling, general and administrative expenses (note 17)	**1,528**	1,504
	6,950	6,845
Operating Income	**274**	303
Net Interest Expense and Other Financing Charges (note 3)	**44**	66
Earnings Before Income Taxes	**230**	237
Income Taxes (note 4)	**59**	72
Net Earnings	**171**	165
Attributable to:		
Shareholders of the Company	**124**	105
Non-Controlling Interests	**47**	60
Net Earnings	**$ 171**	$ 165
Net Earnings per Common Share ($) (note 5)		
Basic	**$ 0.89**	$ 0.74
Diluted	**$ 0.89**	$ 0.71

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

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

(millions of Canadian dollars)	12 Weeks Ended Mar. 24, 2012	Mar. 26, 2011
Net earnings	**$ 171**	$ 165
Other comprehensive income (loss)		
Foreign currency translation adjustment (note 17)	**(14)**	(10)
Net defined benefit plan actuarial gains (note 15)	**30**	4
Other comprehensive income (loss)	**16**	(6)
Comprehensive Income	**187**	159
Attributable to:		
Shareholders of the Company	**131**	98
Non-Controlling Interests	**56**	61
Comprehensive Income	**$ 187**	$ 159

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

Condensed Consolidated Balance Sheets
(unaudited)

(millions of Canadian dollars)	As at Mar. 24, 2012	Mar. 26, 2011	Dec. 31, 2011
ASSETS			
Current Assets			
Cash and cash equivalents (note 6)	**$ 1,134**	$ 754	$ 1,372
Short term investments (note 6)	**2,221**	2,323	2,362
Accounts receivable	**549**	479	559
Credit card receivables (note 7)	**1,987**	1,887	2,101
Inventories (note 8)	**2,027**	2,020	2,147
Income taxes recoverable	**52**	17	37
Prepaid expenses and other assets	**129**	102	122
Assets held for sale	**18**	68	32
Total Current Assets	**8,117**	7,650	8,732
Fixed Assets	**9,135**	8,835	9,172
Investment Properties	**95**	74	82
Goodwill and Intangible Assets	**1,545**	1,548	1,555
Deferred Income Taxes	**299**	288	295
Security Deposits (note 6)	**348**	248	367
Franchise Loans Receivable	**352**	315	331
Other Assets (note 9)	**831**	859	789
Total Assets	**$ 20,722**	$ 19,817	$ 21,323
LIABILITIES			
Current Liabilities			
Bank indebtedness		$ 1	$ 3
Trade and other payables	**$ 3,263**	3,280	3,940
Provisions	**65**	99	67
Short term debt (note 10)	**1,290**	1,251	1,280
Long term debt due within one year (note 11)	**82**	352	87
Total Current Liabilities	**4,700**	4,983	5,377
Provisions	**91**	94	94
Long Term Debt (note 11)	**6,753**	6,164	6,757
Deferred Income Taxes	**175**	164	160
Other Liabilities (note 12)	**997**	751	1,033
Capital Securities	**222**	221	222
Total Liabilities	**12,938**	12,377	13,643
EQUITY			
Share Capital (note 13)	**950**	950	950
Contributed Surplus (notes 14 & 16)	**19**	25	24
Retained Earnings	**4,584**	4,362	4,496
Accumulated Other Comprehensive Loss	**(25)**	(33)	(11)
Total Equity Attributable to Shareholders of the Company	**5,528**	5,304	5,459
Non-Controlling Interests	**2,256**	2,136	2,221
Total Equity	**7,784**	7,440	7,680
Total Liabilities and Equity	**$ 20,722**	$ 19,817	$ 21,323

Contingent liabilities (note 18).
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, 2011	$ 133	$ 817	**$ 950**	**$ 24**	**$ 4,496**	$ (15)	$ 4	**$ (11)**	**$ 2,221**	**$ 7,680**
Net earnings					**124**				**47**	**171**
Other comprehensive income (loss)(1)					**21**	(14)		**(14)**	**9**	**16**
Comprehensive income (loss)					**145**	(14)		**(14)**	**56**	**187**
Effect of share-based compensation (note 16)				**(5)**					**1**	**(4)**
Subsidiary capital transactions (notes 14 & 16)										
Dividends declared										
Per common share ($)										
– $0.36					**(46)**				**(22)**	**(68)**
Per preferred share ($)										
– Series I – $0.36					**(4)**					**(4)**
– Series III – $0.32					**(3)**					**(3)**
– Series IV – $0.32					**(2)**					**(2)**
– Series V – $0.30					**(2)**					**(2)**
				(5)	**(57)**				**(21)**	**(83)**
Balance as at Mar. 24, 2012	$ 133	$ 817	**$ 950**	**$ 19**	**$ 4,584**	$ (29)	$ 4	**$ (25)**	**$ 2,256**	**$ 7,784**

(1) Other comprehensive income includes actuarial gains of $30 million, $21 million of which is presented above in retained earnings and $9 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 Loss	Non-Controlling Interests	Total Equity
Balance as at Dec. 31, 2010	$ 133	$ 817	**$ 950**	**$ (14)**	**$ 4,311**	$ (27)	$ 4	**$ (23)**	**$ 2,080**	**$ 7,304**
Net earnings					**105**				**60**	**165**
Other comprehensive income (loss)(1)					**3**	(10)		**(10)**	**1**	**(6)**
Comprehensive income (loss)					**108**	(10)		**(10)**	**61**	**159**
Effect of share-based compensation (note 16)				**37**					**16**	**53**
Subsidiary capital transactions (notes 14 & 16)				**2**					**1**	**3**
Dividends declared										
Per common share ($)										
– $0.36					**(46)**				**(22)**	**(68)**
Per preferred share ($)										
– Series I – $0.36					**(4)**					**(4)**
– Series III – $0.32					**(3)**					**(3)**
– Series IV – $0.32					**(2)**					**(2)**
– Series V – $0.30					**(2)**					**(2)**
				39	**(57)**				**(5)**	**(23)**
Balance as at Mar. 26, 2011	$ 133	$ 817	**$ 950**	**$ 25**	**$ 4,362**	$ (37)	$ 4	**$ (33)**	**$ 2,136**	**$ 7,440**

(1) Other comprehensive loss includes actuarial gains of $4 million, $3 million of which is presented above in retained earnings and $1 million in non-controlling interests.

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

Condensed Consolidated Statements of Cash Flow
(unaudited)

(millions of Canadian dollars)	12 Weeks Ended Mar. 24, 2012	Mar. 26, 2011
Operating Activities		
Net earnings	**$ 171**	$ 165
Income taxes (note 4)	**59**	72
Net interest expense and other financing charges (note 3)	**44**	66
Depreciation and amortization	**184**	166
Foreign currency translation losses (note 17)	**23**	17
Income taxes paid	**(73)**	(78)
Interest received	**9**	17
Net decrease in credit card receivables	**114**	110
Change in non-cash working capital	**(580)**	(541)
Fixed assets and other related impairments	**3**	4
Other	**8**	(4)
Cash Flows used in Operating Activities	**(38)**	(6)
Investing Activities		
Fixed asset purchases	**(144)**	(162)
Change in short term investments	**103**	901
Business acquisitions – net of cash acquired		(12)
Proceeds from fixed asset sales	**1**	5
Change in franchise investments and other receivables	**(17)**	(1)
Change in security deposits	**14**	183
Other		(7)
Cash Flows (used in) from Investing Activities	**(43)**	907
Financing Activities		
Change in bank indebtedness	**(4)**	(11)
Change in short term debt (note 10)	**10**	380
Long term debt – Issued (note 11)	**23**	57
– Retired (note 11)	**(29)**	(858)
Subsidiary share capital – Issued (notes 14 & 16)	**2**	3
– Retired (note 14)	**(2)**	
Interest paid	**(92)**	(111)
Dividends – To common shareholders	**(46)**	(1,046)
– To preferred shareholders	**(11)**	(11)
Cash Flows used in Financing Activities	**(149)**	(1,597)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(8)**	(3)
Change in Cash and Cash Equivalents	**(238)**	(699)
Cash and Cash Equivalents, Beginning of Period	**1,372**	1,453
Cash and Cash Equivalents, End of Period	**$ 1,134**	$ 754

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 retailer and a leading provider of drugstore, general merchandise and financial products and services. The Weston Foods operating segment is a leading fresh and frozen baking company in Canada and is engaged in frozen baking and biscuit manufacturing in the United States.

The Company follows a 52-week reporting cycle which is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration. Weston Foods seasonality is greatest in the third and fourth quarters and least in the first quarter. Loblaw seasonality is greatest in the fourth quarter and least in the first quarter.

Note 2. Significant Accounting Policies

The significant accounting policies as disclosed in the Company's 2011 audited annual 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.

Statement of Compliance The unaudited interim period condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and 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 2011 audited annual consolidated financial statements and the accompanying notes.

These unaudited interim period condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on May 7, 2012.

Accounting Standards Implemented in 2012
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 to help users of the financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. These amendments are effective and have been implemented in the first quarter of 2012 (see note 7).

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. These amendments are effective in the first quarter of 2012. As part of its transition to IFRS, the Company has elected to account for its investment properties at cost and as such the amendments did not have an impact on the Company's results of operations or financial condition.

Critical Accounting Estimates and Assumptions The preparation of the unaudited interim period condensed consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions in applying the Company's accounting policies, which have an effect on 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 judgments, estimates and assumptions are based on management's historical experience, best knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances.

Material estimates and assumptions are made with respect to establishing the valuation of credit card receivables, inventories, goodwill and intangible assets, financial instruments, income and other taxes, impairment of fixed assets and other non-financial assets, 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.

Note 3. Net Interest Expense and Other Financing Charges

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

	12 Weeks Ended	
($ millions)	**Mar. 24, 2012**	Mar. 26, 2011
Long term debt	**$ 85**	$ 83
Defined benefit and other long term employee benefit plan obligations	**24**	25
Borrowings related to credit card receivables	**8**	13
Independent funding trusts	**4**	4
Dividends on capital securities	**3**	3
	124	128
Interest income:		
Expected return on pension benefit plan assets	**(22)**	(23)
Other financing income(1)	**(47)**	(25)
Accretion income	**(4)**	(4)
Financial derivative instruments	**(3)**	(5)
Short term interest income	**(4)**	(5)
	(80)	(62)
Net interest expense and other financing charges	**$ 44**	$ 66

(1) Other financing income in the first quarter of 2012 included non-cash income of $42 million (2011 – $20 million) related to the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares (see note 17). The fair value adjustment of the forward sale agreement is non-cash and results from changes in the value of the underlying Loblaw shares. At maturity, any cash paid under the forward sale agreement could be offset by the sale of the underlying Loblaw common shares. Also included in other financing income in the first quarter of 2012 is forward accretion income of $9 million (2011 – $9 million) and the forward fee of $4 million (2011 – $4 million) associated with the forward sale agreement.

Note 4. Income Taxes

In the first quarter of 2012, income tax expense was $59 million compared to $72 million in the same period in 2011. The effective income tax rate decreased to 25.7% in the first quarter of 2012 compared to 30.4% in the same period in 2011. The decrease was primarily due to a decrease in income tax expense related to certain prior year income tax matters, reductions in the federal and Ontario statutory income tax rates and a reduction in non-deductible amounts.

Note 5. Basic and Diluted Net Earnings per Common Share

($ millions except where otherwise indicated)	12 Weeks Ended Mar. 24, 2012	Mar. 26, 2011
Net earnings attributable to shareholders of the Company	**$ 124**	$ 105
Prescribed dividends on preferred shares in share capital	**(10)**	(10)
Net earnings available to common shareholders	**$ 114**	$ 95
Reduction in net earnings due to dilution at Loblaw		(3)
Net earnings available to common shareholders for diluted earnings per share	**$ 114**	$ 92
Weighted average common shares outstanding (in millions)	**128.2**	129.1
Dilutive effect of share-based compensation(1) (in millions)		0.1
Dilutive effect of GWL equity swaps(1) (in millions)		
Diluted weighted average common shares outstanding (in millions)	**128.2**	129.2
Basic net earnings per common share ($)	**$ 0.89**	$ 0.74
Diluted net earnings per common share ($)	**$ 0.89**	$ 0.71

(1) In the first quarter of 2012, 2,241,139 (2011 – 3,098,336) outstanding potentially dilutive instruments were not included in the computation of diluted net earnings per common share as their impact would be anti-dilutive.

Note 6. 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

($ millions)	As at Mar. 24, 2012	Mar. 26, 2011	Dec. 31, 2011
Cash	**$ 249**	$ 116	$ 259
Cash equivalents:			
Bankers' acceptances	**175**	140	287
Government treasury bills and notes	**229**	233	248
Bank term deposits	**82**	158	220
Corporate commercial paper	**323**	45	247
Government agency securities	**26**	62	4
Other	**50**		107
Total cash and cash equivalents	**$ 1,134**	$ 754	$ 1,372

Short Term Investments

($ millions)	As at Mar. 24, 2012	Mar. 26, 2011	Dec. 31, 2011
Bankers' acceptances	**$ 208**	$ 291	$ 239
Government treasury bills and notes	**966**	989	921
Corporate commercial paper	**463**	701	615
Government agency securities	**584**	196	586
Other		146	1
Total short term investments	**$ 2,221**	$ 2,323	$ 2,362

Security Deposits

($ millions)	Mar. 24, 2012	As at Mar. 26, 2011	Dec. 31, 2011
Cash	**$ 138**		$ 125
Government treasury bills and notes	**155**	$ 180	159
Government agency securities	**55**	68	83
Total security deposits	**$ 348**	$ 248	$ 367

Note 7. Credit Card Receivables

Loblaw, through President's Choice Bank ("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 several independent securitization trusts pursuant to co-ownership agreements. PC Bank transfers credit card receivables by selling them to and repurchasing them from independent securitization trusts. PC Bank is required to absorb credit card losses on the aggregate exposures in PC Bank's overall credit card receivables portfolios, therefore, Loblaw has not transferred substantially all of the risks and rewards relating to these assets. As a result, Loblaw continues to recognize these assets in credit card receivables and the transferred receivables are accounted for as secured financing transactions. The Company consolidates one of the independent securitization trusts, *Eagle Credit Card Trust ("Eagle")*, as a Special Purpose Entity as defined in IFRS Standing Interpretations Committee Interpretation 12 "Consolidated – Special Purpose Entities". The associated liabilities secured by these assets are included in either short term debt or long term debt based on their characteristics and are carried at amortized cost.

The components of credit card receivables were as follows:

($ millions)	Mar. 24, 2012	As at Mar. 26, 2011	Dec. 31, 2011
Total credit card receivables	**$ 2,024**	$ 1,920	$ 2,138
Allowance for credit card receivables	**(37)**	(33)	(37)
Net credit card receivables	**$ 1,987**	$ 1,887	$ 2,101
Securitized to independent securitization trusts			
Securitized to *Eagle*(1)	**$ 600**	$ 600	$ 600
Securitized to Other Independent Securitization Trusts(2)	**905**	905	905

(1) The associated liability of *Eagle* was recorded in long term debt.
(2) The associated liabilities of Other Independent Securitization Trusts were recorded in short term debt.

Loblaw has arranged letters of credit representing 9% (March 26, 2011 – 9%; December 31, 2011 – 9%) of the outstanding securitized liability for the benefit of Other Independent Securitization Trusts on behalf of PC Bank in the amount of $81 million (March 26, 2011 – $81 million; December 31, 2011 – $81 million). In the event of a major decline in the income flow from or in the value of the securitized credit card receivables, the Other Independent Securitization Trusts can draw upon these letters of credit to recover up to a maximum of the amount outstanding as the associated liability. Under its securitization programs, PC Bank is required to maintain at all times a credit card receivable balance equal to a minimum of 107% of the outstanding securitized liability.

Note 8. Inventories

The components of inventories were as follows:

($ millions)	Mar. 24, 2012	As at Mar. 26, 2011	Dec. 31, 2011
Raw materials and supplies	**$ 45**	$ 41	$ 46
Finished goods	**1,982**	1,979	2,101
Inventories	**$ 2,027**	$ 2,020	$ 2,147

For inventories recorded as at the end of the first quarter of 2012, Loblaw recorded $14 million (2011 – $14 million) as an expense for the write-down of inventories below cost to net realizable value. The write-down was 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 quarters of 2012 and 2011.

Cost of inventories sold included income of $3 million (2011 – a charge of $16 million) in the first quarter of 2012 related to the fair value adjustment of commodity derivatives at Weston Foods.

Note 9. Other Assets

The components of other assets were as follows:

($ millions)	Mar. 24, 2012	As at Mar. 26, 2011	Dec. 31, 2011
Fair value of equity forward (note 17)	**$ 529**	$ 450	$ 478
Sundry investments and other receivables	**146**	175	166
Fair value of cross currency swaps (note 17)	**112**	185	103
Defined benefit plan asset		6	
Other	**44**	43	42
Other assets	**$ 831**	$ 859	$ 789

Note 10. Short Term Debt

The components of short term debt were as follows:

($ millions)	Mar. 24, 2012	As at Mar. 26, 2011	Dec. 31, 2011
Independent securitization trusts (note 7)(1)	**$ 905**	$ 905	$ 905
Series B debentures(2)	**385**	346	375
Short term debt	**$ 1,290**	$ 1,251	$ 1,280

(1) During the first quarter of 2012, PC Bank did not securitize any credit card receivables or repurchase any co-ownership interest from independent securitization trusts. During the first quarter of 2011, PC Bank securitized $370 million credit card receivables and did not repurchase any co-ownership interest in the securitized credit card receivables from independent securitization trusts.

(2) Series B Debentures issued by GWL are due on demand.

Note 11. Long Term Debt

Guaranteed Investment Certificates During the first quarter of 2012, PC Bank sold $1 million (2011 – $46 million), before nominal commissions (2011 – nominal), in Guaranteed Investment Certificates ("GICs") through independent brokers. In addition, during the first quarter of 2012, $14 million (2011 – nil) of GICs matured and were repaid. As at the end of the first quarter of 2012, $263 million (March 26, 2011 – $64 million; December 31, 2011 – $276 million), before commissions of $2 million (March 26, 2011 – nil; December 31, 2011 – $2 million), of outstanding GICs were recorded in long term debt, of which $42 million (March 26, 2011 – $19 million; December 31, 2011 – $46 million) were recorded as long term debt due within one year.

Independent Funding Trusts The gross principal amount of loans issued to Loblaw's independent franchisees by the independent funding trusts as at the end of the first quarter of 2012 was $446 million (March 26, 2011 – $408 million; December 31, 2011 – $424 million). Loblaw has agreed to provide credit enhancement of $48 million (March 26, 2011 – $66 million; December 31, 2011 – $48 million) in the form of a standby letter of credit for the benefit of the independent funding trust representing not less than 10% (March 26, 2011 – 15%) of the principal amount of the loans outstanding.

Committed Credit Facility During the first quarter of 2012, Loblaw renewed and extended its existing $800 million committed credit facility to March 2017. Loblaw's key financial covenants under this agreement remained substantially the same. As at March 24, 2012, March 26, 2011 and December 31, 2011, Loblaw had not drawn on this facility.

Private Placement Notes As at the end of the first quarter of 2012, Loblaw's $299 million (March 26, 2011 – $294 million; December 31, 2011 – $306 million) of private placement notes was recorded as long term debt.

Loblaw Companies Limited Notes During the first quarter of 2011, Loblaw's $350 million 6.5% Medium Term Note issued by Loblaw due January 19, 2011 matured and was repaid.

Independent Securitization Trust During the first quarter of 2011, Loblaw's $500 million senior and subordinated notes issued by *Eagle* due March 17, 2011 matured and were repaid.

Note 12. Other Liabilities

The components of other liabilities were as follows:

		As at	
($ millions)	**Mar. 24, 2012**	Mar. 26, 2011	Dec. 31, 2011
Defined benefit plan liability	**$ 638**	$ 401	$ 674
Other long term employee benefit liability	**129**	129	130
Deferred vendor allowances	**30**	38	32
Fair value of interest rate swaps (note 17)	**16**	24	16
Share-based compensation liability (note 16)	**23**	18	24
Other	**161**	141	157
Other liabilities	**$ 997**	$ 751	$ 1,033

Note 13. Common Share Capital

Common Shares As at the end of the first quarter of 2012, 128,189,996 (March 26, 2011 – 129,077,133; December 31, 2011 – 128,188,843) GWL common shares were issued and outstanding.

During the first quarter of 2012, GWL issued 3,034 (2011 – 3,471) common shares, in connection with its stock option plan (see note 16).

Normal Course Issuer Bid ("NCIB") Program During the first quarter of 2012, GWL purchased for cancellation 1,881 (2011 – nil) of its common shares for a nominal amount (2011 – nil). A nominal premium (2011 – nil) paid on common shares purchased for cancellation was recorded in retained earnings.

Note 14. Subsidiary Capital Transactions

During the first quarter of 2012, Loblaw purchased for cancellation 54,908 (2011 – nil) of its common shares. As a result, contributed surplus decreased by $1 million (2011 – nil).

During the first quarter of 2012, Loblaw issued 56,838 (2011 – 75,009) of its common shares in connection with its stock option plan (see note 16). As a result, contributed surplus increased by $1 million (2011 – $2 million).

Note 15. Post-Employment and Other Long Term Employee Benefits

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

	12 Weeks Ended	
($ millions)	**Mar. 24, 2012**	Mar. 26, 2011
Post-employment benefit cost recognized in operating income	**$ 39**	$ 37
Other long term employee benefits cost recognized in operating income	**4**	5
Post-employment and other long term employee benefit costs included in net interest expense and other financing charges (note 3)	**2**	2
Actuarial gains before income taxes recognized in other comprehensive income (loss)	**(40)**	(6)

The post-employment benefit cost included costs for the Company's defined benefit plans, defined contribution pension plans and the multi-employer pension plans in which it participates. The other long term employee benefits cost included costs for the Company's long term disability plan. The actuarial gains recognized in other comprehensive income (loss) in the first quarters of 2012 and 2011 were primarily due to higher than expected returns on assets.

Note 16. Share-Based Compensation

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

	12 Weeks Ended	
($ millions)	**Mar. 24, 2012**	Mar. 26, 2011
Stock option plans expense (income)[(1)]	**$ 4**	$ (2)
Restricted share unit plan expense (income)[(1)]	**1**	(8)
Equity derivative contracts expense	**8**	19
Net share-based compensation expense	**$ 13**	$ 9

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

The following is the carrying amount of the Company's shared-based compensation arrangements including stock option plans, restricted share unit plans, director deferred share units plans, and executive deferred share units plans:

	As at		
($ millions)	**Mar. 24, 2012**	Mar. 26, 2011	Dec. 31, 2011
Trade and other payables	**$ 19**	$ 23	$ 17
Other liabilities	**23**	18	24
Contributed surplus	**40**	39	45
	$ 82	$ 80	$ 86

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

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

	GWL 12 Weeks Ended		Loblaw 12 Weeks Ended	
(Number of Options)	**Mar. 24, 2012**	Mar. 26, 2011	**Mar. 24, 2012**	Mar. 26, 2011
Outstanding options, beginning of period	**1,414,504**	1,533,443	**10,750,993**	9,320,865
Granted	**319,390**	237,594	**4,555,021**	3,095,267
Exercised	**(3,034)**	(3,471)	**(56,838)**	(75,009)
Forfeited		(24,767)	**(199,920)**	(256,361)
Expired			**(541,729)**	
Outstanding options, end of period	**1,730,860**	1,742,799	**14,507,527**	12,084,762

During the first quarter of 2012, GWL and Loblaw granted stock options with exercise prices of $62.96 (2011 – $68.41) and $34.93 (2011 – $39.27) per common share, respectively. The fair value of GWL and Loblaw stock options as calculated under the Black-Scholes stock option valuation model were $4 million (2011 – $3 million) and $27 million (2011 – $25 million), respectively. In addition, during the first quarter of 2012, GWL issued 3,034 (2011 – 3,471) common shares on the exercise of stock options and received a nominal amount (2011 – nominal) in cash consideration. Loblaw issued 56,838 (2011 – 75,009) common shares on the exercise of stock options and received cash consideration of $2 million (2011 – $3 million).

The assumptions used to measure the grant date fair value of the GWL options granted during the periods ended as indicated under the Black-Scholes stock option valuation model were as follows:

	Mar. 24, 2012	Mar. 26, 2011
Expected dividend yield[(1)]	**2.3%**	2.1%
Expected share price volatility[(2)]	**24.2% - 25.8%**	24.4% - 25.9%
Risk-free interest rate[(3)]	**1.5% - 1.6%**	2.6% - 2.8%
Expected life of options[(4)]	**4.8 – 6.6 years**	4.8 - 6.6 years

(1) The expected dividend yield is estimated based on the annual dividend prior to the stock option grant date and the closing share price as at the stock option grant 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 grant 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 the stock option plan expense. The forfeiture rate applied as at the end of the first quarter of 2012 was 4.6% (March 26, 2011 – 4.3%; December 31, 2011 – 4.6%).

The assumptions used to measure the grant date fair value of the Loblaw options granted during the periods ended as indicated under the Black-Scholes stock option valuation model were as follows:

	Mar. 24, 2012	Mar. 26, 2011
Expected dividend yield[(1)]	**2.4%**	2.1%
Expected share price volatility[(2)]	**22.6% - 24.8%**	22.2% - 24.5%
Risk-free interest rate[(3)]	**1.4% - 1.5%**	2.6% - 2.9%
Expected life of options[(4)]	**4.4 - 6.4 years**	4.4 - 6.4 years

(1) The expected dividend yield is estimated based on the annual dividend prior to the stock option grant date and the closing share price as at the stock option grant 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 grant 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 the stock option plan expense. The forfeiture rate applied as at the end of the first quarter of 2012 was 16.3% (March 26, 2011 – 16.2%; December 31, 2011 – 16.3%).

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

	GWL 12 Weeks Ended		Loblaw 12 Weeks Ended	
(Number of Awards)	**Mar. 24, 2012**	Mar. 26, 2011	**Mar. 24, 2012**	Mar. 26, 2011
RSUs, beginning of period	**139,813**	163,370	**1,119,496**	1,045,346
Granted	**70,075**	66,532	**375,684**	347,754
Settled		(3,775)	**(14,751)**	(268,331)
Forfeited		(2,367)	**(10,630)**	(20,461)
RSUs, end of period	**209,888**	223,760	**1,469,799**	1,104,308
RSUs settled ($ millions)		$	**$ 1**	$ 10

There was no share appreciation value paid by GWL in the first quarter of 2012 (2011 – nominal).

As at the end of the first quarter of 2012, the intrinsic value of GWL's vested RSUs was $6 million (March 26, 2011 – $6 million and December 31, 2011 – $6 million). As at the end of the first quarter of 2012, the intrinsic value of Loblaw's vested RSUs was $22 million (March 26, 2011 – $16 million and December 31, 2011 – $22 million).

Performance Share Unit ("PSU") Plan During the first quarter of 2012, the GWL and Loblaw Board of Directors approved a plan under which PSUs may be granted to certain senior employees. PSU grants entitle employees to a cash payment equal to the weighted average price of a GWL or Loblaw common share on the TSX in the five trading days preceding the end of a three year performance period multiplied by the number of units that vest. The number of units that vest will vary based on the achievement of specified performance measures. The Company recognizes a compensation expense in selling, general and administrative expenses for each PSU expected to vest equal to the market value of a GWL or Loblaw common share less the net present value of the expected dividend stream at the date on which PSUs are awarded to each participant. The compensation expense is prorated over the performance period reflecting changes in the market value of a GWL or Loblaw common share and the number of PSUs expected to vest until the end of the performance period based on the achievement of the associated performance measures. Forfeitures are estimated at the grant date and are revised to reflect a change in expected or actual forfeitures.

The following is a summary of GWL's and Loblaw's PSU plan activity:

	GWL 12 Weeks Ended	Loblaw 12 Weeks Ended
(Number of Awards)	**Mar. 24, 2012**	**Mar. 24, 2012**
PSUs, beginning of period		
Granted	**39,561**	**50,818**
PSUs, end of period	**39,561**	**50,818**

As at the end of the first quarter of 2012, the intrinsic value of both GWL and Loblaw vested PSUs was nil.

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

		As at	
($ millions unless otherwise indicated)	**Mar. 24, 2012**	Mar. 26, 2011	Dec. 31, 2011
Outstanding contracts (in millions)	**0.8**	1.7	0.8
Forward price (March 26, 2011 – average forward price) per share ($)	**$ 107.26**	$ 95.42	$ 107.26
Unrealized loss recorded in trade and other payables	**$ 35**	$ 49	$ 31

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

		As at	
($ millions unless otherwise indicated)	**Mar. 24, 2012**	Mar. 26, 2011	Dec. 31, 2011
Outstanding contracts (in millions)	**1.1**	1.5	1.1
Average forward price per share ($)	**$ 56.57**	$ 56.37	$ 56.38
Interest expense (income) per share ($)	**$ 0.14**	$ 0.15	$ (0.05)
Unrealized loss recorded in trade and other payables	**$ 25**	$ 27	$ 20

Note 17. Financial Instruments

Cash and Cash Equivalents, Short Term Investments and Security Deposits

As at the end of the first quarter of 2012, the Company had cash and cash equivalents, short term investments and security deposits of $3,703 million (March 26, 2011 – $3,325 million; December 31, 2011 – $4,101 million), including U.S. $2,240 million (March 26, 2011 – U.S. $2,174 million; December 31, 2011 – U.S. $2,212 million) that was held primarily by Dunedin Holdings GmbH ("Dunedin"), a subsidiary of GWL, and certain of its affiliates and Glenhuron (see note 6).

In the first quarter of 2012, a loss of $14 million (2011 – $10 million) was recognized in other comprehensive income (loss) related to the effect of foreign currency translation on the Company's (excluding Loblaw's) U.S. net investment in foreign operations. In addition, a loss of $23 million (2011 – $17 million) was recorded in selling, general and administrative expenses related to 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 foreign operations that have the same functional currency as that of the Company.

In addition, in the first quarter of 2012, a loss of $25 million (2011 – $18 million) was recognized in operating income as a result of translating U.S. dollar denominated cash and cash equivalents, short term investments and security deposits held by Glenhuron. Cross currency swaps partially offset the effect of this foreign currency translation. See cross currency swaps section below.

Cross Currency Swaps

Glenhuron has outstanding cross currency swaps to exchange U.S. dollars for $1,213 million (March 26, 2011 − $1,210 million; December 31, 2011 – $1,252 million) Canadian dollars, which mature by 2018. During the first quarter of 2012, a fair value gain of $28 million (2011 – $21 million) was recognized in operating income relating to these cross currency swaps.

In 2008, Loblaw entered into fixed cross currency swaps to exchange $296 million Canadian dollars for U.S. $300 million, which mature by 2015. In the first quarter of 2012, Loblaw recognized an unrealized fair value loss of $4 million (2011 – $9 million) in operating income related to these cross currency swaps. In addition, in the first quarter of 2012, Loblaw recognized an unrealized foreign currency translation gain of $7 million (2011 – $6 million) in operating income related to its U.S. $300 million fixed-rate private placement notes.

Interest Rate Swaps

Loblaw maintains a notional $150 million (March 26, 2011 − $150 million; December 31, 2011 − $150 million) in interest rate swaps, on which it pays a fixed rate of 8.38%. In the first quarter of 2012, Loblaw recognized a nominal (2011 – nominal) fair value gain in operating income related to these swaps (see note 12).

Equity Derivative Contracts

As at the end of the first quarter of 2012, GWL and Glenhuron had equity derivative contracts to purchase GWL and Loblaw common shares, respectively. See note 16 for details relating to these equity derivatives.

In 2001, Weston Holdings Limited, a subsidiary of GWL, entered into an equity forward sale agreement based on 9.6 million Loblaw common shares at an original forward price of $48.50 per Loblaw common share. As at the end of the first quarter of 2012, the forward price had increased to $89.08 (March 26, 2011 − $85.02; December 31, 2011 – $88.14) per Loblaw common share under the terms of the agreement and the fair value of this forward sale agreement of $529 million (March 26, 2011 − $450 million; December 31, 2011 – $478 million) was recorded in other assets (see note 9). In the first quarter of 2012, a fair value gain of $42 million (2011 – $20 million) was recorded in net interest expense and other financing charges related to this equity forward sale agreement.

Note 18. Contingent Liabilities

The Company is involved in, and potentially subject to, various claims and matters arising out of the normal course and conduct of its business including, but not limited to, 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 and litigation, 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 with the exception of the items noted below.

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.

Multi-employer Pension Plans
The Company participates in various multi-employer pension plans, providing pension benefits to union employees pursuant to provisions of collective bargaining agreements. As at the end of the first quarter of 2012, Weston Foods was assessing the potential withdrawal from one of the United States multi-employer pension plans in which it participates. The Company would be subject to a withdrawal liability if and when it permanently withdraws from the plan, which would be payable over an extended period of time. Until the current actuarial valuation is made available, the actual amount of the potential withdrawal liability is unknown. Based on the most recent actuarial valuation completed as at December 31, 2010, the withdrawal liability related to this plan was estimated to be approximately $31 million. No amount has been provided for in the Company's financial statements in the first quarter of 2012.

Income and Other Taxes
The Company is involved in and potentially subject to tax audits from various governments and regulatory agencies relating to income, capital and commodity taxes on an ongoing 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 assessments and reassessments. These assessments and 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 year's tax return filing. Should the CRA be successful in its assertion, the maximum exposure to the Company's net earnings would be approximately $64 million. GWL is vigorously defending its filing position. No amount has been provided for in the Company's financial statements.

Indemnification Provisions
The Company from time to time enters into agreements in the normal course of its business, such as service and outsourcing arrangements and leases, and in connection with business or asset acquisitions or dispositions. These agreements by their nature may provide for indemnification of counterparties. These indemnification provisions may be in connection with breaches of representation and warranty or with future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration and may extend for an unlimited period of time. Given the nature of such indemnification provisions, the Company is unable to reasonably estimate its total maximum potential liability as certain indemnification provisions do not provide for a maximum potential amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

Note 19. 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 2011 audited annual consolidated financial statements. The Company measures each reportable operating segment's performance based on adjusted EBITDA(1) and adjusted operating income(1). Neither reportable operating segment is reliant on any single external customer.

($ millions)	12 Weeks Ended Mar. 24, 2012	Mar. 26, 2011
Revenue		
Weston Foods	**$ 425**	$ 410
Loblaw	**6,937**	6,872
Intersegment	**(138)**	(134)
Consolidated	**$ 7,224**	$ 7,148
Adjusted EBITDA(1)		
Weston Foods	**$ 73**	$ 71
Loblaw	**422**	475
Total	**$ 495**	$ 546
Depreciation and Amortization		
Weston Foods	**$ 14**	$ 14
Loblaw	**170**	152
Total	**$ 184**	$ 166
Adjusted Operating Income(1)		
Weston Foods	**$ 59**	$ 57
Loblaw	**252**	323
Impact of certain items(2)	**(14)**	(60)
Other(3)	**(23)**	(17)
Consolidated operating income	**$ 274**	$ 303

(1) Excludes certain items and is used internally by management when analyzing segment underlying operating performance.
(2) The impact of certain items excluded by management includes restructuring and other charges, the fair value adjustment of commodity derivatives at Weston Foods and share-based compensation net of equity derivatives.
(3) Operating income for the quarter included a loss of $23 million (2011 – $17 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 foreign operations.

($ millions)	As at Mar. 24, 2012	Mar. 26, 2011	Dec. 31, 2011
Total Assets			
Weston Foods	**$ 1,917**	$ 1,808	$ 1,875
Loblaw	**17,038**	16,195	17,588
Other(1)	**1,767**	1,814	1,860
Consolidated	**$ 20,722**	$ 19,817	$ 21,323

(1) Other includes cash and cash equivalents and short term investments held by foreign operations that have the same functional currency as that of the Company.

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 March 24, 2012 in connection with the Company's Short Form Base Shelf Prospectus dated May 25, 2011.

Earnings coverage on financial liabilities	2.80 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 unaudited interim period condensed consolidated financial statements of the Company for the period.

Financial Summary[1]

As at or for the periods ended as indicated (millions of Canadian dollars except where otherwise indicated)	12 Weeks Ended **Mar. 24, 2012**	 Mar.26, 2011
Operating Results		
Sales	**$ 7,224**	$ 7,148
Operating income	**274**	303
Adjusted operating income[2]	**311**	380
Adjusted EBITDA[2]	**495**	546
Net Interest expense and other financing charges[3]	**44**	66
Net earnings attributable to shareholders of the Company	**124**	105
Net earnings	**171**	165
Financial Position and Cash Flow		
Working capital	**$ 3,417**	$ 2,667
Cash and cash equivalents, short term investments and security deposits	**3,703**	3,325
Cash flows used in operating activities	**(38)**	(6)
Adjusted debt[2]	**5,933**	5,881
Fixed asset purchases	**144**	162
Free cash flow[2]	**(296)**	(278)
Per Common Share ($)		
Basic net earnings	**$ 0.89**	$ 0.74
Adjusted basic net earnings[2]	**0.89**	1.07
Financial Ratios		
Sales growth (decline) (%)	**1.1**	(0.2)
Adjusted operating margin (%) [2]	**4.3**	5.3
Adjusted EBITDA margin (%) [2]	**6.9**	7.6
Interest coverage[2]	**6.2x**	4.6x
Adjusted debt[2] to rolling year adjusted EBITDA[2]	**2.5x**	2.5x
Adjusted debt[2] to equity attributable to shareholders of the Company	**1.07**	1.11
Rolling year return on average net assets (%) [2]	**12.2**	12.6
Rolling year return on average equity attributable to common shareholders of the Company (%)	**13.3**	9.8
Reportable Operating Segments		
Weston Foods		
Sales	**$ 425**	$ 410
Operating income	**60**	19
Adjusted operating income[2]	**59**	57
Adjusted operating margin (%) [2]	**13.9**	13.9
Loblaw		
Sales	**$ 6,937**	$ 6,872
Operating income	**237**	301
Adjusted operating income[2]	**252**	323
Adjusted operating margin (%) [2]	**3.6**	4.7

(1) For financial definitions and ratios refer to the Glossary beginning on page 146 of the Company's 2011 Annual Report.
(2) See non-GAAP financial measures beginning on page 18.
(3) Included non-cash income of $42 million (2011 – $20 million) related to the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares.

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 retailer and a leading provider of drugstore, general merchandise and financial products and services. The Weston Foods operating segment is a leading fresh and frozen baking company in Canada and is engaged in frozen baking and biscuit manufacturing in the United States.

Trademarks

George Weston Limited and its subsidiaries own a number of trademarks. These trademarks are the exclusive property of George Weston Limited and its subsidiary companies. Trademarks where used in this report are in italics.

Shareholder Information

Registrar and Transfer Agent

Computershare Investor Services Inc.	Toll free (Canada and U.S.A.): 1-800-564-6253
100 University Avenue	International direct dial: (514) 982-7555
Toronto, Canada	Fax: (416) 263-9394
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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 63.0%-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.

First Quarter Conference Call and Webcast

George Weston Limited will host a conference call as well as an audio webcast on Tuesday, May 8, 2012 at 11:00 a.m. (EST). To access via tele-conference, please dial (647) 427-7450. The playback will be available two hours after the event at (416) 849-0833, passcode: 68967311#. To access via audio webcast, please visit the Investor Centre section of www.weston.ca. Pre-registration will be available.

Annual Meeting

The George Weston Limited Annual Meeting of Shareholders will be held on Thursday, May 10, 2012 at 11:00 a.m. (EST) at The Royal Conservatory, Koerner Hall, TELUS Centre for Performance and Learning, 273 Bloor Street West, Toronto, Ontario, Canada. To access via tele-conference, please dial (647) 427-7450. The playback will be available two hours after the event at (416) 849-0833, passcode: 66303839#. To access via audio webcast, please visit the Investor Centre section of www.weston.ca. Pre-registration will be available.

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