Q2
2012

Quarterly Report to Shareholders

George Weston Limited

24 Weeks Ended June 16, 2012

Weston

Report to Shareholders[3]

CONSOLIDATED RESULTS OF OPERATIONS

George Weston Limited's second quarter 2012 adjusted basic net earnings per common share[1] were $1.06 compared to $1.34 in the same period in 2011, a decrease of $0.28. The decrease was primarily attributable to a decline in the operating performance of Loblaw Companies Limited ("Loblaw"). The decline in the operating performance of Loblaw was primarily due to an increase in labour and other operating costs, incremental costs related to investments in information technology ("IT") and supply chain[2], a decline in gross profit and 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. Increased labour costs and the decline in gross profit included incremental investments in Loblaw's customer proposition that were not covered by operations.

(unaudited) ($ millions except where otherwise indicated) As at or for the periods ended as indicated	12 Weeks Ended **Jun. 16, 2012**	 Jun. 18, 2011	 Change	24 Weeks Ended **Jun. 16, 2012**	 Jun. 18, 2011	 Change
Sales	**$ 7,627**	$ 7,531	1.3%	**$ 14,851**	$ 14,679	1.2%
Operating income	**$ 323**	$ 397	(18.6)%	**$ 597**	$ 700	(14.7)%
Adjusted operating income[1]	**$ 364**	$ 440	(17.3)%	**$ 675**	$ 820	(17.7)%
Adjusted operating margin[1]	**4.8%**	5.8%		**4.5%**	5.6%	
Net interest expense and other financing charges	**$ 72**	$ 98	(26.5)%	**$ 116**	$ 164	(29.3)%
Income taxes	**$ 55**	$ 69	(20.3)%	**$ 114**	$ 141	(19.1)%
Net earnings attributable to shareholders of the Company	**$ 137**	$ 157	(12.7)%	**$ 261**	$ 262	(0.4)%
Net earnings	**$ 196**	$ 230	(14.8)%	**$ 367**	$ 395	(7.1)%
Basic net earnings per common share ($)	**$ 0.99**	$ 1.13	(12.4)%	**$ 1.88**	$ 1.87	0.5%
Adjusted basic net earnings per common share[1] ($)	**$ 1.06**	$ 1.34	(20.9)%	**$ 1.95**	$ 2.41	(19.1)%
Adjusted EBITDA[1]	**$ 556**	$ 612	(9.2)%	**$ 1,051**	$ 1,158	(9.2)%
Adjusted EBITDA margin[1]	**7.3%**	8.1%		**7.1%**	7.9%	
Free cash flow[1]	**$ 480**	$ 457	5.0%	**$ 184**	$ 179	2.8%

The Company's basic net earnings per common share were $0.99 compared to $1.13 in the same period in 2011, a decrease of $0.14, or 12.4%. Adjusted basic net earnings per common share[1] declined $0.28 and excluded the year-over-year favourable net impact of certain items, primarily certain foreign currency translation gains and the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares, partially offset by the accrual of a multi-employer pension plan ("MEPP") withdrawal liability incurred by Weston Foods in the second quarter of 2012.

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 second quarter of 2012 decreased by 1.7% to $400 million from $407 million in the same period in 2011. Foreign currency translation positively impacted sales by approximately 1.6%. Excluding this impact, sales decreased 3.3% mainly due to a decrease in volumes of 3.9% compared to the same period in 2011. Pricing across certain product categories contributed positively to sales growth by 0.6%.

(1) See non-GAAP financial measures beginning on page 23.
(2) Incremental costs related to investments in IT and supply chain include IT costs, depreciation and amortization and supply chain project costs.
(3) To be read in conjunction with "Forward-Looking Statements" beginning on page 4.

Weston Foods operating income in the second quarter of 2012 was $12 million compared to $55 million in the same period in 2011, a decrease of $43 million. The decrease was mainly due to the accrual of a MEPP withdrawal liability of $35 million recorded in the second quarter of 2012.

Weston Foods adjusted operating income(1) remained flat at $65 million in the second quarter of 2012 compared to the same period in 2011. Weston Foods adjusted operating margin(1) was 16.3% compared to 16.0% in the same period in 2011. Adjusted operating income(1) in the second quarter of 2012 was positively impacted by the benefits realized from productivity improvements and other cost reduction initiatives. These benefits were offset by higher commodity and other input costs and lower sales volumes compared to the same period in 2011.

Loblaw

In the second quarter of 2012, Loblaw continued to execute on its plan. Loblaw began to gain traction on sales, particularly in its core food and drug businesses, as it continued its disciplined approach to improving its customer proposition.

Loblaw sales in the second quarter of 2012 increased by 1.3% to $7,375 million from $7,278 million in the same period in 2011. Retail segment sales increased by 1.1% and same-store sales growth was 0.2% (2011 – 0.4% decline). Sales growth in food was moderate, sales growth in drugstore was modest, gas bar sales declined marginally, sales in general merchandise, excluding apparel, declined moderately and sales in apparel were flat. Loblaw experienced modest average quarterly internal food price inflation during the second quarter of 2012 and moderate average quarterly food price inflation during the second quarter of 2011, lower than the average quarterly national food price inflation of 2.5% (2011 – 4.0%) as measured by "The Consumer Price Index for Food Purchased from Stores". In the last twelve months, Loblaw opened 22 corporate and franchise stores and closed seven corporate and franchise stores, resulting in a net increase of 0.4 million square feet, or 0.8%. Loblaw sales in the second quarter of 2012 were also positively impacted by an increase in revenue from its Financial Services segment, which includes President's Choice 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 second quarter of 2012 was $288 million compared to $343 million in the same period in 2011, a decrease of $55 million. The decrease was mainly due to a decline in adjusted operating income(1) of $76 million, partially offset by the effect of certain prior years' commodity tax matters of $15 million recorded in the second quarter of 2011.

Loblaw adjusted operating income(1) was $299 million in the second quarter of 2012 compared to $375 million in the same period in 2011, a decrease of $76 million. Loblaw adjusted operating margin(1) was 4.1% compared to 5.2% in the same period in 2011. The decreases in adjusted operating income(1) and adjusted operating margin(1) were primarily attributable to an increase in labour and other operating costs, incremental costs related to investments in IT and supply chain(2), a decline in gross profit, a decrease in foreign exchange gains and 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, partially offset by changes in the value of Loblaw's investments in its franchise business. Increased labour costs and the decline in gross profit included an estimated $5 million and $10 million, respectively, of incremental investments in Loblaw's customer proposition that were not covered by operations.

(1) See non-GAAP financial measures beginning on page 23.
(2) Incremental costs related to investments in IT and supply chain include IT costs, depreciation and amortization and supply chain project costs.

NET INTEREST EXPENSE AND OTHER FINANCING CHARGES

In the second quarter of 2012, net interest expense and other financing charges decreased by $26 million to $72 million compared to the same period in 2011. The decrease was mainly 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 decreased by $4 million compared to the same period in 2011, mainly due to GWL's refinancing of certain long term debt through the issuance of new Medium Term Notes in the fourth quarter of 2011 which resulted in lower overall interest rates.

INCOME TAXES

In the second quarter of 2012, income tax expense decreased to $55 million from $69 million, and the effective income tax rate decreased to 21.9% from 23.1%, compared to the same period in 2011. The decreases were primarily due to non-taxable foreign currency translation gains recorded in the second quarter of 2012, reductions in the federal and Ontario statutory income tax rates and a decrease in income tax expense related to certain prior year income tax matters. The effective income tax rate in the second quarter of 2011 was also impacted by the utilization of realized foreign currency losses.

FREE CASH FLOW[(1)]

The Company's free cash flow[(1)] was $480 million in the second quarter of 2012 compared to $457 million in the same period in 2011. The increase of $23 million was primarily due to a change in non-cash working capital requirements, partially offset by the year-over-year decrease in net earnings before non-cash items and an increase in fixed asset purchases.

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. 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.

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 incremental costs related to investments in IT and supply chain and the ongoing investments in its customer proposition.

For the full year 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 and ongoing customer proposition investments at Loblaw.

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

Toronto, Canada
July 30, 2012

(1) See non-GAAP financial measures beginning on page 23.
(2) To be read in conjunction with "Forward-Looking Statements" beginning on page 4.

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; 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 incremental investments 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 23.

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.

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") for George Weston Limited ("GWL") and its subsidiaries (collectively, the "Company") should be read in conjunction with the Company's second quarter 2012 unaudited interim period condensed consolidated financial statements and the accompanying notes on pages 29 to 50 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 4 of this Quarterly Report.

The Company's second 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 July 30, 2012, unless otherwise noted.

(1) See non-GAAP financial measures beginning on page 23.

KEY FINANCIAL PERFORMANCE INDICATORS

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

(unaudited)
($ millions except where otherwise indicated)

As at or for the periods ended as indicated	12 Weeks Ended Jun. 16, 2012	Jun. 18, 2011
Sales growth	**1.3%**	0.7%
Operating income	**$ 323**	$ 397
Adjusted operating income[1]	**$ 364**	$ 440
Adjusted operating margin[1]	**4.8%**	5.8%
Adjusted EBITDA[1]	**$ 556**	$ 612
Adjusted EBITDA margin[1]	**7.3%**	8.1%
Net earnings attributable to shareholders of the Company	**$ 137**	$ 157
Basic net earnings per common share ($)	**$ 0.99**	$ 1.13
Adjusted basic net earnings per common share[1] ($)	**$ 1.06**	$ 1.34
Working capital	**$ 3,259**	$ 2,970
Cash and cash equivalents, short term investments and security deposits	**$ 3,942**	$ 3,674
Cash flows from operating activities	**$ 663**	$ 540
Adjusted debt[1]	**$ 5,965**	$ 5,887
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**	1.10
Free cash flow[1]	**$ 480**	$ 457
Interest coverage[1]	**4.4x**	4.0x
Rolling year return on average net assets[1]	**11.7%**	12.7%
Rolling year return on average equity attributable to common shareholders of the Company	**12.7%**	10.3%

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 second quarter of 2012 increased by 1.3% to $7,627 million from $7,531 million in the same period in 2011. On a year-to-date basis, sales increased by 1.2% to $14,851 million from $14,679 million in 2011.

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

- Negatively by 0.1% due to a sales decline of 1.7% at Weston Foods. Foreign currency translation positively impacted sales by approximately 1.6%. Excluding this impact, sales decreased 3.3% mainly due to a decrease in volumes of 3.9% compared to the same period in 2011. Pricing across certain product categories contributed positively to sales growth by 0.6%.

(1) See non-GAAP financial measures beginning on page 23.

- Positively by 1.3% due to sales growth of 1.3% at Loblaw. Retail segment sales increased by 1.1% and same-store sales growth was 0.2% (2011 – 0.4% decline). Sales growth in food was moderate, sales growth in drugstore was modest, gas bar sales declined marginally, sales in general merchandise, excluding apparel, declined moderately and sales in apparel were flat. Loblaw experienced modest average quarterly internal food price inflation during the second quarter of 2012 and moderate average quarterly food price inflation during the second quarter of 2011, lower than the average quarterly national food price inflation of 2.5% (2011 – 4.0%) as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI"). In the last twelve months, Loblaw opened 22 corporate and franchise stores and closed seven corporate and franchise stores, resulting in a net increase of 0.4 million square feet, or 0.8%. Loblaw sales in the second 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 second quarter of 2012 decreased by $74 million to $323 million from $397 million in the same period in 2011. Adjusted operating income(1) in the second quarter of 2012 decreased by $76 million to $364 million from $440 million in the same period in 2011. The Company's adjusted operating margin(1) in the second quarter of 2012 decreased to 4.8% from 5.8% in the same period in 2011.

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

- Nil due to flat adjusted operating income(1) at Weston Foods. Adjusted operating income(1) in the second quarter of 2012 was positively impacted by the benefits realized from productivity improvements and other cost reduction initiatives. These benefits were offset by higher commodity and other input costs and lower sales volumes compared to the same period in 2011.

- Negatively by 17.3% due to a decrease of 20.3% in adjusted operating income(1) at Loblaw. The decrease in adjusted operating income(1) was primarily attributable to an increase in labour and other operating costs, incremental costs related to investments in information technology ("IT") and supply chain(2), a decline in gross profit, a decrease in foreign exchange gains and 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, partially offset by changes in the value of Loblaw's investments in its franchise business. Increased labour costs and the decline in gross profit included an estimated $5 million and $10 million, respectively, of incremental investments in Loblaw's customer proposition that were not covered by operations.

The Company's adjusted EBITDA margin(1) decreased to 7.3% from 8.1% in the same period in 2011. The margin was negatively impacted by Loblaw, partially offset by an improvement in adjusted EBITDA margin(1) at Weston Foods when compared to the same period in 2011.

Year-to-date operating income decreased to $597 million from $700 million in 2011. Adjusted operating income(1) for the first half of 2012 decreased to $675 million from $820 million in 2011. The Company's adjusted operating margin(1) for the first half of 2012 decreased to 4.5% from 5.6% in 2011.

On a year-to-date basis, the Company's year-over-year change in consolidated adjusted operating income(1) was impacted by each of its reportable operating segments as follows:

(1) See non-GAAP financial measures beginning on page 23.
(2) Incremental costs related to investments in IT and supply chain include IT costs, depreciation and amortization and supply chain project costs.

- Positively by 0.2% due to an increase of 1.6% in adjusted operating income[1] at Weston Foods. Adjusted operating income[1] was positively impacted by higher pricing in key product categories and the benefits realized from productivity improvements and other cost reduction initiatives. These benefits were partially offset by higher commodity and other input costs and lower sales volumes compared to 2011.
- Negatively by 17.9% due to a decrease of 21.1% in adjusted operating income[1] at Loblaw. The decrease in adjusted operating income[1] was primarily attributable to an increase in labour and other operating costs, a decline in gross profit, incremental costs related to investments in IT and supply chain[2], 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 a decrease in foreign exchange gains, partially offset by changes in the value of Loblaw's investments in its franchise business. Increased labour costs and the decline in gross profit included an estimated $5 million and $20 million, respectively, of incremental investments in Loblaw's customer proposition that were not covered by operations.

The Company's year-to-date adjusted EBITDA margin[1] decreased to 7.1% from 7.9% in 2011. The margin was negatively impacted by Loblaw, partially offset by an improvement in adjusted EBITDA margin[1] at Weston Foods when compared to 2011.

Net Interest Expense and Other Financing Charges

In the second quarter of 2012, net interest expense and other financing charges decreased by $26 million to $72 million compared to the same period in 2011. Year-to-date net interest expense and other financing charges decreased by $48 million to $116 million compared to 2011. These decreases were mainly due to increases in non-cash income related to the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares in the second quarter of 2012 and year-to-date of $22 million and $44 million, respectively, compared to the same periods in 2011.

Excluding this impact, net interest expense and other financing charges decreased by $4 million in both the second quarter of 2012 and on a year-to-date basis compared to the same periods in 2011. These decreases were mainly due to GWL's refinancing of certain long term debt through the issuance of new Medium Term Notes ("MTN") in the fourth quarter of 2011 which resulted in lower overall interest rates.

Income Taxes

In the second quarter of 2012, income tax expense decreased to $55 million from $69 million, and the effective income tax rate decreased to 21.9% from 23.1%, compared to the same period in 2011. On a year-to-date basis, income tax expense decreased to $114 million from $141 million and the effective income tax rate decreased to 23.7% from 26.3%, compared to 2011. The decreases in the effective income tax rates in the second quarter of 2012 and year-to-date compared to the same periods in 2011 were primarily due to non-taxable foreign currency translation gains recorded in 2012 (2011 – non-deductible foreign currency translation losses), reductions in the federal and Ontario statutory income tax rates and decreases in income tax expense related to certain prior year income tax matters. The effective income tax rates in the second quarter of 2011 and year-to-date 2011 were also impacted by the utilization of realized foreign currency losses.

Subsequent to the end of the second quarter of 2012, the Ontario government substantively enacted the deferral of certain reductions in Ontario corporate income tax rates. The effect of this deferral 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

(1) See non-GAAP financial measures beginning on page 23.
(2) Incremental costs related to investments in IT and supply chain include IT costs, depreciation and amortization and supply chain project costs.

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 second 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 second quarter of 2012 decreased to $137 million from $157 million and basic net earnings per common share decreased to $0.99 from $1.13 in the same period in 2011. Year-to-date net earnings attributable to shareholders of the Company were $261 million compared to $262 million in 2011 and year-to-date basic net earnings per common share were $1.88 compared to $1.87 in 2011.

Adjusted basic net earnings per common share(1) in the second quarter of 2012 decreased to $1.06 from $1.34 in the same period in 2011 and on a year-to-date basis decreased to $1.95 from $2.41 in 2011. Adjusted basic net earnings per common share(1) in the second quarter of 2012 and year-to-date excluded the year-over-year favourable net impact of certain items, primarily certain foreign currency translation gains, the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares and the fair value adjustment of commodity derivatives at Weston Foods, partially offset by the accrual of a multi-employer pension plan ("MEPP") withdrawal liability incurred by Weston Foods.

REPORTABLE OPERATING SEGMENTS

Weston Foods

(unaudited)	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 16, 2012**	Jun. 18, 2011	**Jun. 16, 2012**	Jun. 18, 2011
Sales	**$ 400**	$ 407	**$ 825**	$ 817
Operating income	**$ 12**	$ 55	**$ 72**	$ 74
Adjusted operating income(1)	**$ 65**	$ 65	**$ 124**	$ 122
Adjusted operating margin(1)	**16.3%**	16.0%	**15.0%**	14.9%
Adjusted EBITDA(1)	**$ 78**	$ 78	**$ 151**	$ 149
Adjusted EBITDA margin(1)	**19.5%**	19.2%	**18.3%**	18.2%

Sales Weston Foods sales in the second quarter of 2012 decreased by 1.7% to $400 million from $407 million in the same period in 2011. Foreign currency translation positively impacted sales by approximately 1.6%. Excluding this impact, sales decreased 3.3% mainly due to a decrease in volumes of 3.9% compared to the same period in 2011. Pricing across certain product categories contributed positively to sales growth by 0.6%.

On a year-to-date basis, sales increased by 1.0% to $825 million from $817 million in 2011. Foreign currency translation positively impacted sales by approximately 1.2%. Excluding this impact, sales decreased 0.2% due to a decrease in volumes of 2.6% when compared to 2011, partially offset by the positive impact of pricing across key product categories of 2.4%.

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

Fresh bakery sales decreased by approximately 4.7% in the second quarter of 2012 compared to the same period in 2011 mainly driven by lower sales volumes. On a year-to-date basis, sales declined 2.7% compared to 2011 driven by lower sales volumes, partially offset by price increases implemented in the beginning of the second quarter of 2011. Volumes decreased in the second quarter of 2012 and on a year-to-date basis compared to the same periods in 2011 mainly due to a difficult sales environment. The introduction of new products in the last twelve months, such as the *Première Fournée de Weston* line of artisan inspired breads,

(1) See non-GAAP financial measures beginning on page 23.

Country Harvest Cranberry Muesli bread, *D'Italiano* Brizzolio rolls 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 second quarter of 2012 and year-to-date.

Frozen bakery sales decreased by approximately 5.9% in the second quarter of 2012 and 2.8% on a year-to-date basis compared to the same periods in 2011. The sales declines were primarily due to lower sales volumes, including the loss of certain distributed products, combined with the negative impact of changes in sales mix. In addition, volumes in the second quarter of 2012 were negatively impacted by the timing of customer orders related to the Easter holiday when compared to the same period in 2011.

Biscuit sales, principally cookies, crackers, wafers and ice cream cones, increased by approximately 7.4% in the second quarter of 2012 and 10.1% on a year-to-date basis compared to the same periods in 2011, mainly due to higher volumes as well as the positive impact of pricing and changes in sales mix. Volumes increased in the second quarter of 2012 compared to the same period in 2011 mainly due to higher wafer sales partially offset by lower cookie sales. On a year-to-date basis, volumes increased compared to 2011 due to growth in both cookie sales, including Girl Scout products, and wafer sales.

Operating Income Operating income in the second quarter of 2012 was $12 million compared to $55 million in the same period in 2011, a decrease of $43 million. The decrease was mainly due to the accrual of a MEPP withdrawal liability of $35 million recorded in the second quarter of 2012 as discussed below. Year-to-date operating income was $72 million compared to $74 million in 2011.

Adjusted operating income(1) remained flat at $65 million in the second quarter of 2012 compared to the same period in 2011. Adjusted operating margin(1) for the second quarter of 2012 increased to 16.3% from 16.0% in the same period in 2011. On a year-to-date basis, adjusted operating income(1) increased by $2 million, or 1.6%, to $124 million in 2012 from $122 million in 2011. Adjusted operating margin(1) on a year-to-date basis was 15.0% compared to 14.9% in 2011.

Gross margin, excluding the impact of the fair value adjustment of commodity derivatives, decreased in the second quarter of 2012 and on a year-to-date basis compared to the same periods in 2011 primarily as a result of the increase in commodity and other input costs. The fair value adjustment of commodity derivatives is described in the "Non-GAAP Financial Measures" section of this MD&A.

Adjusted operating income(1) in both the second quarter of 2012 and year-to-date was positively impacted by the benefits realized from productivity improvements and other cost reduction initiatives. These benefits were offset in the second quarter of 2012 and partially offset on a year-to-date basis by higher commodity and other input costs and lower sales volumes compared to the same periods in 2011. On a year-to-date basis, adjusted operating income(1) was also positively impacted by higher pricing in key product categories.

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 second quarter of 2012 and year-to-date, charges of $5 million (2011 – nil) and $6 million (2011 – $6 million), respectively, were recorded in operating income. During the second quarter of 2012, Weston Foods approved a plan to close a fresh bakery manufacturing facility in Ontario.

Weston Foods participates in various MEPPs, providing pension benefits to union employees pursuant to provisions of collective bargaining agreements. During the second quarter of 2012, Weston Foods withdrew from one of the United States MEPPs in which it participated. As a result, the Company is subject to a withdrawal liability. Management's estimate of the withdrawal liability related to this plan is approximately $35 million. This liability was recorded in the second quarter of 2012 and is presented in trade and other payables and selling, general and administrative expenses in the Company's consolidated balance sheet and

(1) See non-GAAP financial measures beginning on page 23.

consolidated statement of earnings, respectively. If certain events occur over the next three years and a mass withdrawal from the plan is triggered, the Company may be subject to an incremental withdrawal liability. No amount has been provided for in the Company's financial statements for this contingent liability.

Adjusted EBITDA[(1)] remained flat at $78 million in the second quarter of 2012 compared to the same period in 2011. Adjusted EBITDA margin[(1)] increased in the second quarter of 2012 to 19.5% from 19.2% in the same period in 2011. On a year-to-date basis, adjusted EBITDA[(1)] increased by $2 million to $151 million from $149 million in 2011. Year-to-date adjusted EBITDA margin[(1)] increased to 18.3% from 18.2% in 2011.

Loblaw

(unaudited)	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 16, 2012**	Jun. 18, 2011	**Jun. 16, 2012**	Jun. 18, 2011
Sales	**$ 7,375**	$ 7,278	**$ 14,312**	$ 14,150
Operating income	**$ 288**	$ 343	**$ 525**	$ 644
Adjusted operating income[(1)]	**$ 299**	$ 375	**$ 551**	$ 698
Adjusted operating margin[(1)]	**4.1%**	5.2%	**3.8%**	4.9%
Adjusted EBITDA[(1)]	**$ 478**	$ 534	**$ 900**	$ 1,009
Adjusted EBITDA margin[(1)]	**6.5%**	7.3%	**6.3%**	7.1%

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

Sales Loblaw sales in the second quarter of 2012 increased by 1.3% to $7,375 million from $7,278 million in the same period in 2011. The increase in Retail segment sales of $79 million in the second quarter of 2012 when compared to the same period in 2011 was impacted by the following factors:

- same-store sales growth was 0.2% (2011 – 0.4% decline);
- sales growth in food was moderate;
- sales growth in drugstore was modest;
- gas bar sales declined marginally;
- sales in general merchandise, excluding apparel, declined moderately;
- sales in apparel were flat;
- Loblaw experienced modest average quarterly internal food price inflation during the second quarter of 2012 and moderate average quarterly food price inflation during the second quarter of 2011, lower than the average quarterly national food price inflation of 2.5% (2011 – 4.0%) as measured by CPI. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores; and
- 22 corporate and franchise stores were opened and seven corporate and franchise stores were closed in the last twelve months, resulting in a net increase of 0.4 million square feet, or 0.8%.

Loblaw sales in the second quarter of 2012 were also positively impacted by an increase in revenue of $18 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.

On a year-to-date basis, sales increased by 1.1% to $14,312 million from $14,150 million in 2011 driven primarily by the factors noted above. Year-to-date same-store Retail segment sales declined by 0.3% (2011 – 0.3%).

(1) See non-GAAP financial measures beginning on page 23.

Operating Income Loblaw operating income in the second quarter of 2012 was $288 million compared to $343 million in the same period in 2011, a decrease of $55 million. The decrease was mainly due to a decline in adjusted operating income[1] of $76 million, partially offset by the effect of certain prior years' commodity tax matters of $15 million recorded in the second quarter of 2011. Year-to-date operating income for 2012 was $525 million compared to $644 million in 2011.

Loblaw adjusted operating income[1] decreased by $76 million in the second quarter of 2012 to $299 million from $375 million in the same period in 2011. Adjusted operating margin[1] was 4.1% compared to 5.2% in the same period in 2011. Year-to-date adjusted operating income[1] decreased by $147 million to $551 million from $698 million in 2011. Adjusted operating margin[1] was 3.8% in 2012 and 4.9% in 2011, respectively.

Gross profit, generated by Loblaw's Retail segment, decreased by $15 million in the second quarter of 2012 to $1,611 million and gross profit as a percentage of Retail segment sales declined to 22.3% compared to 22.7% in the same period in 2011. Year-to-date gross profit decreased by $40 million to $3,140 million and gross profit as a percentage of Retail segment sales declined to 22.4% compared to 22.9% in 2011. These declines were primarily driven by higher input costs outpacing internal food price inflation and increased transportation costs. Higher input costs that were not entirely passed on to the consumer included an estimated $10 million and $20 million of incremental investments in Loblaw's customer proposition that were not covered by operations in the second quarter of 2012 and year-to-date, respectively. The declines in gross profit percentage for the second quarter of 2012 and year-to-date were also attributable to a higher proportion of food sales compared to the same periods in 2011.

The decreases in adjusted operating income[1] and adjusted operating margin[1] in the second quarter of 2012 compared to the same period in 2011 were attributable to an increase in labour and other operating costs, incremental costs of $16 million related to investments in IT and supply chain [2], a decline in gross profit, a decrease in foreign exchange gains and a charge of $10 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, partially offset by changes in the value of Loblaw's investments in its franchise business. The increase in labour costs included an estimated $5 million of incremental investments in Loblaw's customer proposition related to improved service in stores that were not covered by operations.

The decreases in year-to-date adjusted operating income[1] and adjusted operating margin[1] compared to 2011 were driven by the same factors as above and included incremental costs of $29 million related to investments in IT and supply chain[2] and a charge of $25 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.

Adjusted EBITDA[1] in the second quarter of 2012 decreased by $56 million to $478 million from $534 million in the same period in 2011. Adjusted EBITDA margin[1] decreased to 6.5% from 7.3% in the same period in 2011. On a year-to-date basis, adjusted EBITDA[1] decreased by $109 million to $900 million from $1,009 million in 2011. Adjusted EBITDA margin[1] decreased to 6.3% from 7.1% in 2011.

In the second quarter of 2012 and on a year-to-date basis, other charges of $6 million (2011 – $2 million) and $9 million (2011 – $23 million), respectively, were recorded in operating income related to changes in Loblaw's distribution network. Other charges also included $8 million related to an internal realignment of Loblaw's business centered around Loblaw's two primary store formats, conventional and discount, recorded in the first quarter of 2011.

(1) See non-GAAP financial measures beginning on page 23.
(2) Incremental costs related to investments in IT and supply chain include IT costs, depreciation and amortization and supply chain project costs.

CONSOLIDATED FINANCIAL CONDITION

Working Capital The Company's working capital was $3,259 million as at the end of the second quarter of 2012 compared to $2,970 million as at the end of the second 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 $289 million when compared to the second quarter of 2011 was primarily driven by cash inflows from operating activities and long term debt issuances, partially offset by fixed asset purchases, intangible asset additions, dividends and interest paid, GWL's and Loblaw's purchases of common shares for cancellation and an increase in Loblaw long term debt due within one year.

The decrease of $96 million when compared to year end 2011 was primarily driven by fixed asset purchases, intangible asset additions, dividends and interest paid and an increase in Loblaw long term debt due within one year, partially offset by cash inflows from operating activities.

The increase in Loblaw long term debt due within one year compared to both the second quarter of 2011 and year end 2011 was attributable to its U.S. $150 million private placement note which matures in the second quarter of 2013. The increase compared to the second quarter of 2011 was more than offset by the payment of GWL's $300 million 6.45% MTN which did not impact working capital.

Free Cash Flow(1) The Company's free cash flow(1) was $480 million in the second quarter of 2012 compared to $457 million in the same period in 2011. Year-to-date free cash flow(1) was $184 million compared to $179 million in 2011. These increases were primarily due to changes in non-cash working capital requirements, partially offset by the year-over-year decreases in net earnings before non-cash items and increases in fixed asset purchases.

Adjusted Debt(1) The Company's adjusted debt(1) was $5,965 million as at the end of the second quarter of 2012 compared to $5,887 million as at the end of the second quarter of 2011 and $5,960 million as at year end 2011. The increase when compared to the second quarter of 2011 was primarily due to net issuances of long term debt, additional capital lease obligations at Loblaw and increases in GWL's Series B Debentures, partially offset by an increase in the fair value of related financial derivatives.

Dividends On July 1, 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 were paid as declared by the GWL's Board of Directors ("The Board"). On June 15, 2012, preferred share dividends of $0.36 per share for the Series I preferred shares were paid as declared by the Board.

Subsequent to the end of the second 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 October 1, 2012, were declared by the Board. In addition, dividends of $0.36 per share for the Series I preferred shares, payable on September 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 second quarter of 2012 and year-to-date, GWL purchased for cancellation 3,034 (2011 – nil) and 4,915 (2011 – nil) of its common shares, respectively, for a nominal amount (2011 – nil). During the second quarter of 2012 and year-to-date, Loblaw purchased for cancellation 56,838 (2011 – 80,000) and 111,746 (2011 – 80,000) of its common shares for $2 million (2011 – $3 million) and $4 million (2011 – $3 million), respectively.

(1) See non-GAAP financial measures beginning on page 23.

During the second quarter of 2012, GWL and Loblaw renewed their NCIB programs to purchase on the Toronto Stock Exchange ("TSX") or enter into equity derivatives to purchase up to 6,409,499 and 14,070,352 of their common shares, respectively, 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 prices of such shares.

Cash and Cash Equivalents, Short Term Investments and Security Deposits As at the end of the second quarter of 2012, the Company had cash and cash equivalents, short term investments and security deposits of $3,942 million (2011 – $3,674 million), including U.S. $2,272 million (2011 – U.S. $2,185 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 second quarter of 2012 and year-to-date, gains of $15 million (2011 – loss of $1 million) and $1 million (2011 – loss of $11 million), respectively, were recognized in other comprehensive 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 gain of $23 million (2011 – loss of $1 million) and a nominal gain (2011 – loss of $18 million), respectively, were 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 second quarter of 2012 and year-to-date, a gain of $25 million (2011 – loss of $2 million) and a nominal gain (2011 – loss of $20 million), respectively, were recognized in operating income as a result of translating U.S. dollar denominated cash and cash equivalents, short term investments and security deposits held primarily by Glenhuron. Cross currency swaps provide an offset to 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 $1,219 million (2011 – $1,210 million) Canadian dollars, which mature by 2019. During the second quarter of 2012 and year-to-date, a fair value loss of $28 million (2011 – gain of $1 million) and a nominal gain (2011 – gain of $22 million), respectively, were recognized in operating income relating to these 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 second quarter of 2012 and year-to-date, Loblaw recognized unrealized fair value gains of $6 million (2011 – $3 million) and $2 million (2011 – loss of $6 million), respectively, in operating income related to these cross currency swaps. In addition, in the second quarter of 2012 and year-to-date, Loblaw recognized an unrealized foreign currency translation loss of $7 million (2011 – nominal gain) and a nominal loss (2011 – gain of $6 million), respectively, 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 second quarter of 2012 and year-to-date, Loblaw recognized a fair value gain of $3 million (2011 – $2 million) in operating income related to these swaps.

Equity Derivative Contracts As at the end of the second 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 second quarter of 2012, the fair value of $39 million (2011 – $43 million) was recorded in trade and other payables. In the second quarter of 2012 and year-to-date, GWL recorded fair value losses of $5 million (2011 – gain of $6 million) and $8 million (2011 – $10 million), respectively, in operating income related to these contracts.

As at the end of the second 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 $56.55 (2011 – $56.36), including interest expense of $0.12 (2011 – $0.14) per common share. As at the end of the second quarter of 2012, the fair value of $26 million (2011 – $26 million) was included in trade and other payables. In the second quarter of 2012 and year-to-date, Glenhuron recognized a fair value loss of $1 million (2011 – gain of $1 million) and $6 million (2011 – $2 million), respectively, in operating income related to these 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 second quarter of 2012, the forward price had increased to $90.03 (2011 – $85.95) per Loblaw common share under the terms of the agreement and the fair value of this forward sale agreement of $554 million (2011 – $453 million) was recorded in other assets. In the second quarter of 2012 and year-to-date, fair value gains of $16 million (2011 – loss of $6 million) and $58 million (2011 – $14 million), respectively, were recorded in net interest expense and other financing charges related to this agreement.

LIQUIDITY AND CAPITAL RESOURCES

Major Cash Flow Components

(unaudited)	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 16, 2012**	Jun. 18, 2011	**Jun. 16, 2012**	Jun. 18, 2011
Cash flows from operating activities	**$ 663**	$ 540	**$ 625**	$ 534
Cash flows (used in) from investing activities	**$ (31)**	$ 201	**$ (74)**	$ 1,108
Cash flows used in financing activities	**$ (216)**	$ (50)	**$ (365)**	$ (1,647)

Cash Flows from Operating Activities Second quarter 2012 cash flows from operating activities were $663 million compared to $540 million in the same period in 2011. On a year-to-date basis, cash flows from operating activities were $625 million compared to $534 million in 2011. The increases in cash inflows were primarily due to changes in non-cash working capital requirements partially offset by the year-over-year decreases in net earnings before non-cash items.

Cash Flows (used in) from Investing Activities Second quarter 2012 cash flows used in investing activities were $31 million compared to cash flows from investing activities of $201 million in the same period in 2011. On a year-to-date basis, cash flows used in investing activities were $74 million compared to cash flows from investing activities of $1,108 million in 2011. These increases in cash outflows were primarily due to increases in fixed asset purchases and intangible asset additions and the changes in short term investments and security deposits. Intangible asset additions in the second quarter of 2012 included Loblaw's purchase of prescription files from 106 Zellers Inc. stores for approximately $30 million. The significant year-to-date 2011 cash inflows were primarily due to the cash generated from short term investments and security deposits in order to fund a $1.0 billion special one-time common share dividend in January 2011 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 Second quarter 2012 cash flows used in financing activities were $216 million compared to $50 million in the same period in 2011. On a year-to-date basis, cash flows used in financing activities were $365 million compared to $1,647 million in 2011. The increase in cash outflows in the second quarter of 2012 was primarily due to a reduction in PC Bank's Guaranteed Investment Certificate ("GIC") issuances. The decrease in year-to-date 2012 cash outflows was primarily due to the 2011 payment of the $1.0 billion special one-time common share dividend and the 2011 repayments of $500 million in *Eagle* notes and Loblaw's $350 million 6.50% MTN, partially offset by the 2011 securitization of $370 million in credit card receivables. The decrease was also impacted by a reduction in PC Bank's GIC issuances.

Defined Benefit Pension Plan Contributions During the second quarter of 2012 and year-to-date, the Company contributed $57 million (2011 – $37 million) and $72 million (2011 – $66 million), respectively, to its registered funded defined benefit pension plans. For the remainder of 2012, the Company expects to contribute approximately $101 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 MEPPs 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 second quarter of 2012. 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 second 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 second quarter of 2012, there were no issuances under the Prospectus. Loblaw intends to renew the Prospectus, which expires on December 25, 2012.

Independent Securitization Trusts Loblaw, through PC Bank, participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. PC Bank sells credit card receivables to Independent Securitization Trusts, including *Eagle* and Other Independent Securitization Trusts, from time to time depending on PC Bank's financing requirements.

Loblaw has arranged letters of credit on behalf of PC bank, representing 9% (2011 – 9%) of the outstanding securitized liability for the benefit of the Other Independent Securitization Trusts in the amount of $81 million (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 on the letters of credit. Under its securitization programs, PC Bank is required to maintain at all times a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability.

Guaranteed Investment Certificates In addition to participating in various securitization programs to fund its operations, PC Bank obtains short term and long term financing through its GIC program. During the second quarter of 2012 and year-to-date, PC Bank sold $1 million (2011 – $135 million) and $2 million (2011 – $181 million), respectively, in GICs through independent brokers. In addition, during the second quarter of 2012 and year-to-date, $29 million (2011 – nil) and $43 million (2011 – nil), respectively, of GICs matured and were repaid. As at the end of the second quarter of 2012, $235 million (2011 – $198 million) of outstanding GICs were recorded in long term debt, of which $33 million (2011 – $47 million) were recorded as long term debt due within one year.

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

During the second quarter of 2012, Loblaw amended and increased the size of the revolving committed credit facility that is the source of funding to the independent funding trusts from $475 million to $575 million. Other terms and conditions remain substantially the same. This facility bears interest at variable rates and expires in 2014. As at the end of the second quarter of 2012, the independent funding trusts had drawn $459 million (2011 – $409 million) from this facility. Loblaw provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% of the principal amount of the loans outstanding. As at the end of the second quarter of 2012, Loblaw had provided a letter of credit in the amount of $48 million.

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 second quarter of 2012 (2011 – nil). Subsequent to the end of the second quarter of 2012, the Company revised the cash collateralized limit in these agreements to $138 million.

Subsequent to the end of the second quarter of 2012, Standard & Poor's reaffirmed the credit ratings and outlook for both GWL and Loblaw. The Dominion Bond Rating Service credit ratings and trends for both GWL and Loblaw did not change in the second 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

Off-Balance Sheet Arrangements During the second quarter of 2012, Loblaw increased its guarantee on behalf of PC Bank to MasterCard® International Incorporated from U.S. $180 million to U.S. $230 million, primarily due to an increase in active accounts.

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)	Second Quarter 2012	Second Quarter 2011	First Quarter 2012	First Quarter 2011	Fourth Quarter 2011	Fourth Quarter 2010	Third Quarter 2011	Third Quarter 2010
Sales	**$ 7,627**	$ 7,531	$ 7,224	$ 7,148	$ 7,636	$ 7,375	$ 10,061	$ 9,826
Net earnings attributable to shareholders of the Company	**$ 137**	$ 157	$ 124	$ 105	$ 109	$ 111	$ 264	$ 176
Net earnings per common share ($)								
Basic	**$ 0.99**	$ 1.13	$ 0.89	$ 0.74	$ 0.77	$ 0.78	$ 1.94	$ 1.26
Diluted	**$ 0.98**	$ 1.08	$ 0.89	$ 0.71	$ 0.72	$ 0.70	$ 1.93	$ 1.21

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 charge related to the accrual of a MEPP withdrawal liability incurred by Weston Foods in the second quarter of 2012;
- 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 second 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 new IT system. A substantial amount of this master data, including delivery schedules and certain costing information, now originates in the new system. During the second quarter of 2012, Loblaw continued to make progress on the implementation and focused on major milestones to take place in the third quarter of 2012. Completing the IT system deployment will require continued focus and significant investment. A failure to successfully migrate from legacy systems to the new IT system and complete other upgrades 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.

Tax and Regulatory 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.

Subsequent to the end of the second quarter of 2012, Loblaw received indication from the Canada Revenue Agency that it intends to proceed with a reassessment with regard to the tax treatment of Loblaw's wholly owned subsidiary, Glenhuron. At this early stage, it is not possible to quantify the amount of the proposed reassessment. While Loblaw does not expect the ultimate outcome to be material, such matters cannot be predicted with certainty and could result in a material charge for the Company in future periods.

During the second quarter of 2012, the provincial governments of New Brunswick, Newfoundland, British Columbia, Ontario and Prince Edward Island announced 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 related to such transfers and the effect of those risks on an entity's financial position. These amendments are effective and were 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 for investment properties measured at fair value. These amendments were effective in the first quarter of 2012. As part of its transition to IFRS, the Company 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. 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.

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 incremental costs related to investments in IT and supply chain and the ongoing investments in its customer proposition.

For the full year 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 and ongoing customer proposition investments 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 4.
(2) See non-GAAP financial measures beginning on page 23.

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							
				Jun. 16, 2012				Jun. 18, 2011
(unaudited) ($ millions)	**Weston Foods**	**Loblaw**	**Other[1]**	**Consolidated**	Weston Foods	Loblaw	Other[1]	Consolidated
Net earnings attributable to shareholders of the Company				**$ 137**				$ 157
Add impact of the following:								
Non-controlling interests				**59**				73
Income taxes				**55**				69
Net interest expense and other financing charges				**72**				98
Operating income (loss)	**$ 12**	**$ 288**	**$ 23**	**$ 323**	$ 55	$ 343	$ (1)	$ 397
Add (deduct) impact of the following:								
Restructuring and other charges[2]	**5**	**6**		**11**		2		2
Fair value adjustment of commodity derivatives at Weston Foods	**7**			**7**	12			12
Share-based compensation net of equity derivatives	**6**	**5**		**11**	(2)	15		13
MEPP withdrawal liability incurred by Weston Foods	**35**			**35**				
Certain prior years' commodity tax matters at Loblaw						15		15
Foreign currency translation (gain) loss			**(23)**	**(23)**			1	1
Adjusted operating income	**$ 65**	**$ 299**	**$**	**$ 364**	$ 65	$ 375	$	$ 440
Depreciation and amortization	**13**	**179**		**192**	13	159		172
Adjusted EBITDA	**$ 78**	**$ 478**	**$**	**$ 556**	$ 78	$ 534	$	$ 612

(1) Operating income in the second quarter of 2012 included a gain of $23 million (2011 – loss of $1 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 second quarter of 2012 included $6 million (2011 – $2 million) related to changes in Loblaw's distribution network. Restructuring and other charges included $1 million (2011 – nil) of accelerated depreciation incurred by Weston Foods.

	24 Weeks Ended							
				Jun. 16, 2012				Jun. 18, 2011
(unaudited) ($ millions)	**Weston Foods**	**Loblaw**	**Other[(1)]**	**Consolidated**	Weston Foods	Loblaw	Other[(1)]	Consolidated
Net earnings attributable to shareholders of the Company				**$ 261**				$ 262
Add impact of the following:								
Non-controlling interests				**106**				133
Income taxes				**114**				141
Net interest expense and other financing charges				**116**				164
Operating income (loss)	**$ 72**	**$ 525**	**$**	**$ 597**	$ 74	$ 644	$ (18)	$ 700
Add (deduct) impact of the following:								
Restructuring and other charges[(2)]	**6**	**9**		**15**	6	31		37
Fair value adjustment of commodity derivatives at Weston Foods	**4**			**4**	28			28
Share-based compensation net of equity derivatives	**7**	**17**		**24**	14	8		22
MEPP withdrawal liability incurred by Weston Foods	**35**			**35**				
Certain prior years' commodity tax matters at Loblaw						15		15
Foreign currency translation (gain) loss							18	18
Adjusted operating income	**$ 124**	**$ 551**	**$**	**$ 675**	$ 122	$ 698	$	$ 820
Depreciation and amortization	**27**	**349**		**376**	27	311		338
Adjusted EBITDA	**$ 151**	**$ 900**	**$**	**$ 1,051**	$ 149	$ 1,009	$	$ 1,158

(1) Year-to-date operating income included a nominal gain (2011 – loss of $18 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) Year-to-date other charges at Loblaw included $9 million (2011 – $23 million) related to changes in Loblaw's distribution network. Other charges in 2011 also included a charge of $8 million related to an internal realignment of Loblaw's business centered around its two primary store formats, conventional and discount. Restructuring and other charges included $1 million (2011 – nil) of accelerated depreciation incurred by Weston Foods.

The year-over-year changes in the following items influenced operating income in the second quarter of 2012 and year-to-date:

Restructuring and other charges The Company continuously evaluates strategic and cost reduction initiatives related to its store infrastructure, manufacturing assets, distribution networks and administrative infrastructure with the objective of ensuring a low cost operating structure. Restructuring activities related to these initiatives are ongoing. The details of restructuring and other charges are included in the "Reportable Operating Segments" section of this MD&A.

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 second quarter of 2012 and year-to-date, Weston Foods recorded charges of $7 million (2011 – $12 million) and $4 million (2011 – $28 million), respectively, 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 second quarter of 2012 and year-to-date, charges of $11 million (2011 – $13 million) and $24 million (2011 – $22 million), respectively, were recorded related to share-based compensation net of equity derivatives.

Multi-employer pension plan withdrawal liability incurred by Weston Foods In the second quarter of 2012, Weston Foods recorded a charge of $35 million related to its withdrawal from a United States MEPP in which it participated.

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

Foreign currency translation gains and 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 second quarter of 2012 and year-to-date, a foreign currency translation gain of $23 million (2011 – loss of $1 million) and a nominal gain (2011 – loss of $18 million), respectively, were recorded in operating income as a result of the depreciation (2011 – 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		24 Weeks Ended	
($)	**Jun. 16, 2012**	Jun. 18, 2011	**Jun. 16, 2012**	Jun. 18, 2011
Basic net earnings per common share	**$ 0.99**	$ 1.13	**$ 1.88**	$ 1.87
(Deduct) Add impact of the following[1]:				
Fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares	**(0.09)**	0.04	**(0.34)**	(0.08)
Restructuring and other charges	**0.05**	0.01	**0.07**	0.14
Fair value adjustment of commodity derivatives at Weston Foods	**0.04**	0.06	**0.02**	0.15
Share-based compensation net of equity derivatives	**0.08**	0.04	**0.15**	0.14
MEPP withdrawal liability incurred by Weston Foods	**0.17**		**0.17**	
Certain prior years' commodity tax matters at Loblaw		0.05		0.05
Foreign currency translation (gain) loss	**(0.18)**	0.01		0.14
Adjusted basic net earnings per common share	**$ 1.06**	$ 1.34	**$ 1.95**	$ 2.41

(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 year-over-year changes in the following item also influenced basic net earnings per common share in the second quarter of 2012 and year-to-date:

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. In the second quarter of 2012, income of $0.09 (2011 – charge of $0.04) was recorded in net interest expense and other financing charges as a result of the decrease (2011 – increase) in the market price of Loblaw common shares. The year-to-date 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 $0.26 per common share and was attributable to a greater year-to-date decrease in the market price of Loblaw common shares in 2012 compared to 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)	**Jun. 16, 2012**	Jun. 18, 2011	Dec. 31, 2011
Bank indebtedness		$ 2	$ 3
Short term debt	**$ 1,299**	1,260	1,280
Long term debt due within one year	**226**	381	87
Long term debt	**6,633**	6,279	6,757
Certain other liabilities	**39**	35	39
Fair value of financial derivatives related to the above debt	**(492)**	(367)	(425)
Total debt	**$ 7,705**	$ 7,590	$ 7,741
Less: Short term debt – Other Independent Securitization trusts	**905**	905	905
Long term debt – *Eagle*	**600**	600	600
Guaranteed Investment Certificates	**235**	198	276
Adjusted debt	**$ 5,965**	$ 5,887	$ 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		24 Weeks Ended	
($ millions)	**Jun. 16, 2012**	Jun. 18, 2011	**Jun. 16, 2012**	Jun. 18, 2011
Cash flows from operating activities	**$ 663**	$ 540	**$ 625**	$ 534
Change in credit card receivables	**71**	87	**(43)**	(23)
Less: Fixed assets purchases	**254**	170	**398**	332
Free cash flow	**$ 480**	$ 457	**$ 184**	$ 179

Interest Coverage

The Company believes interest coverage is useful in assessing the Company's ability to cover its net interest expense 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.

The following table reconciles interest expense used in the interest coverage ratio to GAAP measures reported for the periods ended as indicated.

(unaudited)	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 16, 2012**	Jun. 18, 2011	**Jun. 16, 2012**	Jun. 18, 2011
Net interest expense and other financing charges	**$ 72**	$ 98	**$ 116**	$ 164
Add: Interest capitalized to fixed assets	**1**	1	**1**	1
Interest expense	**$ 73**	$ 99	**$ 117**	$ 165

Net Assets

The Company believes the rolling year return on average net assets ratio is useful in assessing the return on operating 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)	**Jun. 16, 2012**	Jun. 18, 2011	Dec. 31, 2011
Total assets	**$ 21,199**	$ 20,355	$ 21,323
Less: Cash and cash equivalents	**1,559**	1,446	1,372
Short term investments	**2,042**	1,982	2,362
Security deposits	**341**	246	367
Fair value of the forward sale agreement for 9.6 million Loblaw common shares	**554**	453	478
Trade and other payables	**3,587**	3,510	3,940
Net assets	**$ 13,116**	$ 12,718	$ 12,804

Unaudited Interim Period Condensed Consolidated Financial Statements

Condensed Consolidated Statements of Earnings

(unaudited)

(millions of Canadian dollars except where otherwise indicated)	12 Weeks Ended Jun. 16, 2012	12 Weeks Ended Jun. 18, 2011	24 Weeks Ended Jun. 16, 2012	24 Weeks Ended Jun. 18, 2011
Revenue	**$ 7,627**	$ 7,531	**$ 14,851**	$ 14,679
Operating Expenses				
Cost of inventories sold (note 8)	**5,751**	5,646	**11,173**	10,987
Selling, general and administrative expenses (note 18)	**1,553**	1,488	**3,081**	2,992
	7,304	7,134	**14,254**	13,979
Operating Income	**323**	397	**597**	700
Net Interest Expense and Other Financing Charges (note 3)	**72**	98	**116**	164
Earnings Before Income Taxes	**251**	299	**481**	536
Income Taxes (note 4)	**55**	69	**114**	141
Net Earnings	**196**	230	**367**	395
Attributable to:				
Shareholders of the Company	**137**	157	**261**	262
Non-Controlling Interests	**59**	73	**106**	133
Net Earnings	**$ 196**	$ 230	**$ 367**	$ 395
Net Earnings per Common Share ($) (note 5)				
Basic	**$ 0.99**	$ 1.13	**$ 1.88**	$ 1.87
Diluted	**$ 0.98**	$ 1.08	**$ 1.87**	$ 1.86

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

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

(millions of Canadian dollars)	12 Weeks Ended Jun. 16, 2012	12 Weeks Ended Jun. 18, 2011	24 Weeks Ended Jun. 16, 2012	24 Weeks Ended Jun. 18, 2011
Net earnings	**$ 196**	$ 230	**$ 367**	$ 395
Other comprehensive loss				
Foreign currency translation adjustment (note 18)	**15**	(1)	**1**	(11)
Net defined benefit plan actuarial losses (note 16)	**(104)**	(76)	**(74)**	(72)
Other comprehensive loss	**(89)**	(77)	**(73)**	(83)
Comprehensive Income	**107**	153	**294**	312
Attributable to:				
Shareholders of the Company	**81**	104	**212**	202
Non-Controlling Interests	**26**	49	**82**	110
Comprehensive Income	**$ 107**	$ 153	**$ 294**	$ 312

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

Condensed Consolidated Balance Sheets

(unaudited)

(millions of Canadian dollars)	As at Jun. 16, 2012	Jun. 18, 2011	Dec. 31, 2011
ASSETS			
Current Assets			
Cash and cash equivalents (note 6)	**$ 1,559**	$ 1,446	$ 1,372
Short term investments (note 6)	**2,042**	1,982	2,362
Accounts receivable	**557**	510	559
Credit card receivables (note 7)	**2,058**	1,974	2,101
Inventories (note 8)	**1,996**	2,060	2,147
Income taxes recoverable	**53**	46	37
Prepaid expenses and other assets	**154**	146	122
Assets held for sale	**23**	66	32
Total Current Assets	**8,442**	8,230	8,732
Fixed Assets	**9,219**	8,861	9,172
Investment Properties	**95**	73	82
Goodwill and Intangible Assets (note 9)	**1,587**	1,546	1,555
Deferred Income Taxes	**335**	277	295
Security Deposits (note 6)	**341**	246	367
Franchise Loans Receivable	**358**	313	331
Other Assets (note 10)	**822**	809	789
Total Assets	**$ 21,199**	$ 20,355	$ 21,323
LIABILITIES			
Current Liabilities			
Bank indebtedness		$ 2	$ 3
Trade and other payables	**$ 3,587**	3,510	3,940
Provisions	**71**	107	67
Short term debt (note 11)	**1,299**	1,260	1,280
Long term debt due within one year (note 12)	**226**	381	87
Total Current Liabilities	**5,183**	5,260	5,377
Provisions	**88**	98	94
Long Term Debt (note 12)	**6,633**	6,279	6,757
Deferred Income Taxes	**167**	157	160
Other Liabilities (note 13)	**1,091**	802	1,033
Capital Securities	**222**	221	222
Total Liabilities	**13,384**	12,817	13,643
EQUITY			
Share Capital (note 14)	**950**	951	950
Contributed Surplus (notes 15 & 17)	**21**	25	24
Retained Earnings	**4,593**	4,409	4,496
Accumulated Other Comprehensive Loss	**(10)**	(34)	(11)
Total Equity Attributable to Shareholders of the Company	**5,554**	5,351	5,459
Non-Controlling Interests	**2,261**	2,187	2,221
Total Equity	**7,815**	7,538	7,680
Total Liabilities and Equity	**$ 21,199**	$ 20,355	$ 21,323

Contingent liabilities (note 19).

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) Income	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					**261**				**106**	**367**
Other comprehensive (loss) income[1]					**(50)**	1		**1**	**(24)**	**(73)**
Comprehensive income					**211**	1		**1**	**82**	**294**
Effect of share-based compensation (note 17)				**(4)**					**2**	**(2)**
Subsidiary capital transactions (notes 15 & 17)				**1**						**1**
Dividends declared										
Per common share ($) – $0.72					**(92)**				**(44)**	**(136)**
Per preferred share ($)										
– Series I – $0.73					**(7)**					**(7)**
– Series III – $0.65					**(5)**					**(5)**
– Series IV – $0.65					**(5)**					**(5)**
– Series V – $0.60					**(5)**					**(5)**
				(3)	**(114)**				**(42)**	**(159)**
Balance as at Jun. 16, 2012	$ 133	$ 817	**$ 950**	**$ 21**	**$ 4,593**	$ (14)	$ 4	**$ (10)**	**$ 2,261**	**$ 7,815**

(1) Other comprehensive loss includes actuarial losses of $74 million, $50 million of which is presented above in retained earnings and $24 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					**262**				**133**	**395**
Other comprehensive loss[1]					**(49)**	(11)		**(11)**	**(23)**	**(83)**
Comprehensive income (loss)					**213**	(11)		**(11)**	**110**	**312**
Effect of share-based compensation (note 17)	1		**1**	**37**					**15**	**53**
Subsidiary capital transactions (notes 15 & 17)				**2**					**26**	**28**
Dividends declared										
Per common share ($) – $0.72					**(93)**				**(44)**	**(137)**
Per preferred share ($)										
– Series I – $0.73					**(7)**					**(7)**
– Series III – $0.65					**(5)**					**(5)**
– Series IV – $0.65					**(5)**					**(5)**
– Series V – $0.60					**(5)**					**(5)**
	1		**1**	**39**	**(115)**				**(3)**	**(78)**
Balance as at Jun. 18, 2011	$ 134	$ 817	**$ 951**	**$ 25**	**$ 4,409**	$ (38)	$ 4	**$ (34)**	**$ 2,187**	**$ 7,538**

(1) Other comprehensive loss includes actuarial losses of $72 million, $49 million of which is presented above in retained earnings and $23 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 Jun. 16, 2012	12 Weeks Ended Jun. 18, 2011	24 Weeks Ended Jun. 16, 2012	24 Weeks Ended Jun. 18, 2011
Operating Activities				
Net earnings	**$ 196**	$ 230	**$ 367**	$ 395
Income taxes (note 4)	**55**	69	**114**	141
Net interest expense and other financing charges (note 3)	**72**	98	**116**	164
Depreciation and amortization	**193**	172	**377**	338
Foreign currency translation (gain) loss (note 18)	**(23)**	1		18
Income taxes paid	**(63)**	(66)	**(136)**	(144)
Interest received	**25**	29	**34**	46
Change in credit card receivables (note 7)	**(71)**	(87)	**43**	23
Change in non-cash working capital	**292**	95	**(288)**	(446)
Fixed assets and other related impairments		5	**3**	9
(Gain) loss on disposal of assets	**(2)**	1	**(2)**	1
Other	**(11)**	(7)	**(3)**	(11)
Cash Flows from Operating Activities	**663**	540	**625**	534
Investing Activities				
Fixed asset purchases	**(254)**	(170)	**(398)**	(332)
Change in short term investments	**217**	338	**320**	1,239
Business acquisition – net of cash acquired				(12)
Proceeds from fixed asset sales	**15**	1	**16**	6
Change in franchise investments and other receivables	**20**	28	**3**	28
Change in security deposits	**12**	1	**26**	184
Intangible asset additions (note 9)	**(41)**	(4)	**(41)**	(5)
Other		7		
Cash Flows (used in) from Investing Activities	**(31)**	201	**(74)**	1,108
Financing Activities				
Change in bank indebtedness	**1**	2	**(3)**	(9)
Change in short term debt (note 11)	**9**	9	**19**	389
Long term debt – Issued (note 12)	**14**	159	**37**	216
– Retired (note 12)	**(44)**	(7)	**(73)**	(865)
Share capital issued (note 17)		1		1
Subsidiary share capital – Issued (notes 15 & 17)	**2**	16	**4**	19
– Retired (note 15)	**(2)**	(3)	**(4)**	(3)
Interest paid	**(117)**	(155)	**(209)**	(266)
Dividends – To common shareholders	**(46)**	(47)	**(92)**	(1,093)
– To preferred shareholders	**(11)**	(11)	**(22)**	(22)
– To minority shareholders	**(22)**	(14)	**(22)**	(14)
Cash Flows used in Financing Activities	**(216)**	(50)	**(365)**	(1,647)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**9**	1	**1**	(2)
Change in Cash and Cash Equivalents	**425**	692	**187**	(7)
Cash and Cash Equivalents, Beginning of Period	**1,134**	754	**1,372**	1,453
Cash and Cash Equivalents, End of Period	**$ 1,559**	$ 1,446	**$ 1,559**	$ 1,446

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 July 30, 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 related to such transfers and the effect of those risks on an entity's financial position. These amendments are effective and were 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 for investment properties measured at fair value. These amendments were effective in the first quarter of 2012. As part of its transition to IFRS, the Company 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		24 Weeks Ended	
($ millions)	**Jun. 16, 2012**	Jun. 18, 2011	**Jun. 16, 2012**	Jun. 18, 2011
Long term debt	**$ 84**	$ 86	**$ 169**	$ 169
Defined benefit and other long term employee benefit plan obligations	**23**	25	**47**	50
Borrowings related to credit card receivables	**9**	9	**17**	22
Independent funding trusts	**3**	4	**7**	8
Financial derivative instruments	**2**	1		
Other financing charges(1)		1		
Dividends on capital securities	**4**	4	**7**	7
Capitalized interest	**(1)**	(1)	**(1)**	(1)
	124	129	**246**	255
Interest income:				
Expected return on pension plan assets	**(22)**	(22)	**(44)**	(45)
Other financing income(1)	**(21)**		**(68)**	(24)
Accretion income	**(4)**	(5)	**(8)**	(9)
Financial derivative instruments			**(1)**	(4)
Security deposits	**(1)**		**(1)**	
Short term interest income	**(4)**	(4)	**(8)**	(9)
	(52)	(31)	**(130)**	(91)
Net interest expense and other financing charges	**$ 72**	$ 98	**$ 116**	$ 164

(1) Other financing charges (income) in the second quarter of 2012 and year-to-date included non-cash income of $16 million (2011 – a non-cash charge of $6 million) and $58 million (2011 – $14 million), respectively, related to the fair value adjustment of the forward sale agreement for 9.6 million Loblaw common shares (see note 18). 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 charges (income) in the second quarter of 2012 and year-to-date is forward accretion income of $9 million (2011 – $9 million) and $18 million (2011 – $18 million), respectively, and the forward fee of $4 million (2011 – $4 million) and $8 million (2011 – $8 million), respectively, associated with the forward sale agreement.

Note 4. Income Taxes

In the second quarter of 2012, income tax expense decreased to $55 million from $69 million in the same period in 2011 and year-to-date income tax expense decreased to $114 million from $141 million in 2011. The effective income tax rate decreased to 21.9% in the second quarter of 2012 from 23.1% in the same period in 2011 and decreased on a year-to-date basis to 23.7% in 2012 from 26.3% in 2011. The decreases in the effective income tax rates in the second quarter of 2012 and year-to-date compared to the same periods in 2011 were primarily due to non-taxable foreign currency translation gains recorded in 2012 (2011 – non-deductible foreign currency translation losses), reductions in the federal and Ontario statutory income tax rates and decreases in income tax expense related to certain prior year income tax matters. The effective income tax rates in the second quarter of 2011 and year-to-date 2011 were also impacted by the utilization of realized foreign currency losses.

Note 5. Basic and Diluted Net Earnings per Common Share

	12 Weeks Ended		24 Weeks Ended	
($ millions except where otherwise indicated)	**Jun. 16, 2012**	Jun. 18, 2011	**Jun. 16, 2012**	Jun. 18, 2011
Net earnings attributable to shareholders of the Company	**$ 137**	$ 157	**$ 261**	$ 262
Prescribed dividends on preferred shares in share capital	**(10)**	(10)	**(20)**	(20)
Net earnings available to common shareholders	**$ 127**	$ 147	**$ 241**	$ 242
Impact of GWL equity swaps		(5)		
Reduction in net earnings due to dilution at Loblaw	**(1)**	(2)	**(1)**	(2)
Net earnings available to common shareholders for diluted earnings per share	**$ 126**	$ 140	**$ 240**	$ 240
Weighted average common shares outstanding (in millions)	**128.2**	129.1	**128.2**	129.1
Dilutive effect of share-based compensation(1) (in millions)		0.1		0.1
Dilutive effect of GWL equity swaps(1) (in millions)		0.6		
Diluted weighted average common shares outstanding (in millions)	**128.2**	129.8	**128.2**	129.2
Basic net earnings per common share ($)	**$ 0.99**	$ 1.13	**$ 1.88**	$ 1.87
Diluted net earnings per common share ($)	**$ 0.98**	$ 1.08	**$ 1.87**	$ 1.86

(1) In the second quarter of 2012 and year-to-date, 2,193,355 (2011 – 1,386,934) and 2,016,441 (2011 – 3,073,634) outstanding potentially dilutive instruments, respectively, 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 Jun. 16, 2012	Jun. 18, 2011	Dec. 31, 2011
Cash	**$ 238**	$ 159	$ 259
Cash equivalents:			
Bankers' acceptances	**177**	578	287
Government treasury bills	**559**	178	248
Bank term deposits	**75**	122	220
Corporate commercial paper	**468**	272	247
Government agency securities	**15**	72	4
Other	**27**	65	107
Cash and cash equivalents	**$ 1,559**	$ 1,446	$ 1,372

Short Term Investments

($ millions)	As at Jun. 16, 2012	Jun. 18, 2011	Dec. 31, 2011
Bankers' acceptances	**$ 193**	$ 218	$ 239
Government treasury bills	**1,005**	961	921
Corporate commercial paper	**344**	500	615
Government agency securities	**483**	258	586
Other	**17**	45	1
Short term investments	**$ 2,042**	$ 1,982	$ 2,362

Security Deposits

($ millions)	As at Jun. 16, 2012	Jun. 18, 2011	Dec. 31, 2011
Cash	**$ 125**		$ 125
Government treasury bills and notes	**164**	$ 153	159
Government agency securities	**52**	93	83
Security deposits	**$ 341**	$ 246	$ 367

Note 7. Credit Card Receivables

The components of credit card receivables were as follows:

		As at	
($ millions)	**Jun. 16, 2012**	Jun. 18, 2011	Dec. 31, 2011
Gross credit card receivables	**$ 2,094**	$ 2,007	$ 2,138
Allowance for credit card receivables	**(36)**	(33)	(37)
Credit card receivables	**$ 2,058**	$ 1,974	$ 2,101
Securitized to Independent Securitization Trusts			
Securitized to *Eagle Credit Card Trust* [(1)]	**$ 600**	$ 600	$ 600
Securitized to Other Independent Securitization Trusts[(2)]	**$ 905**	$ 905	$ 905

(1) The Company consolidates *Eagle Credit Card Trust* as a Special Purpose Entity as defined in IFRS Standing Interpretations Committee Interpretation 12 "Consolidation – Special Purpose Entities". The associated liability of *Eagle Credit Card Trust* was recorded in long term debt.

(2) The associated liabilities of Other Independent Securitization Trusts were recorded in short term debt.

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. PC Bank sells credit card receivables to these Independent Securitization Trusts, including *Eagle Credit Card Trust ("Eagle")* and Other Independent Securitization Trusts, from time to time depending on PC Bank's financing requirements.

The credit card receivables associated with the Other Independent Securitization Trusts are not derecognized by Loblaw since PC Bank is required to absorb a portion of the related credit card losses. As a result, Loblaw has not transferred substantially all of the risks and rewards relating to these assets and continues to recognize these assets in credit card receivables. The associated liabilities are secured by the credit card receivables and are accounted for as financing transactions. The liabilities are included in short term debt based on their characteristics and are carried at amortized cost (see note 11).

Loblaw has arranged letters of credit on behalf of PC Bank, representing 9% (June 18, 2011 – 9%; December 31, 2011 – 9%) of the outstanding securitized liability for the benefit of the Other Independent Securitization Trusts in the amount of $81 million (June 18, 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 on the letters of credit. Under its securitization programs, PC Bank is required to maintain at all times a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability.

Note 8. Inventories

The components of inventories were as follows:

($ millions)	Jun. 16, 2012	As at Jun. 18, 2011	Dec. 31, 2011
Raw materials and supplies	**$ 46**	$ 43	$ 46
Finished goods	**1,950**	2,017	2,101
Inventories	**$ 1,996**	$ 2,060	$ 2,147

For inventories recorded as at the end of the second quarter of 2012, Loblaw recorded $16 million (2011 – $22 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 halves of 2012 and 2011.

Cost of inventories sold in the second quarter of 2012 and year-to-date included charges of $7 million (2011 – $12 million) and $4 million (2011 – $28 million) respectively, related to the fair value adjustment of commodity derivatives at Weston Foods.

Note 9. Goodwill and Intangible Assets

During the second quarter of 2012 and year-to-date, Loblaw had intangible asset additions of $41 million (2011 – $4 million) and $41 million (2011 – $5 million), respectively, of which $30 million (2011 – nil) was related to the purchase of prescription files from 106 Zellers Inc. stores classified as definite life intangible assets.

Note 10. Other Assets

The components of other assets were as follows:

($ millions)	Jun. 16, 2012	As at Jun. 18, 2011	Dec. 31, 2011
Fair value of equity forward (note 18)	**$ 554**	$ 453	$ 478
Sundry investments and other receivables	**132**	142	166
Fair value of cross currency swaps (note 18)	**88**	160	103
Other	**48**	54	42
Other assets	**$ 822**	$ 809	$ 789

Note 11. Short Term Debt

The components of short term debt were as follows:

($ millions)	Jun. 16, 2012	As at Jun. 18, 2011	Dec. 31, 2011
Other Independent Securitization Trusts (note 7)(1)	**$ 905**	$ 905	$ 905
Series B Debentures(2)	**394**	355	375
Short term debt	**$ 1,299**	$ 1,260	$ 1,280

(1) During the second quarter of 2012 and year-to-date, PC Bank did not securitize any credit card receivables (2011 – nil and $370 million year-to-date) or repurchase any co-ownership interest from the Other Independent Securitization Trusts.

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

Note 12. Long Term Debt

Guaranteed Investment Certificates ("GIC") During the second quarter of 2012 and year-to-date, PC Bank sold $1 million (2011 – $135 million) and $2 million (2011 – $181 million) in GICs, respectively. In addition, during the second quarter of 2012 and year-to-date, $29 million (2011 – nil) and $43 million (2011 – nil), respectively, of GICs matured and were repaid. As at the end of the second quarter of 2012, $235 million (June 18, 2011 – $198 million; December 31, 2011 – $276 million) of outstanding GICs were recorded in long term debt, of which $33 million (June 18, 2011 – $47 million; December 31, 2011 – $46 million) were recorded as long term debt due within one year.

Independent Funding Trusts During the second quarter of 2012, Loblaw amended and increased the size of the revolving committed credit facility that is the source of funding to the independent funding trusts from $475 million to $575 million. Other terms and conditions remain substantially the same. This facility bears interest at variable rates and expires in 2014. As at the end of the second quarter of 2012, the independent funding trusts had drawn $459 million (June 18, 2011 – $409 million; December 31, 2011 – $424 million) from this committed credit facility.

Loblaw provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% of the principal amount of the loans outstanding. As at the end of the second quarter of 2012, Loblaw had provided a letter of credit in the amount of $48 million (June 18, 2011 – $48 million; December 31, 2011 – $48 million).

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 June 16, 2012, June 18, 2011 and December 31, 2011, Loblaw had not drawn on this facility.

Private Placement Notes As at the end of the second quarter of 2012, Loblaw's $306 million (June 18, 2011 – $294 million; December 31, 2011 – $306 million) of private placement notes was recorded as long term debt, of which $153 million (June 18, 2011 – nil; December 31, 2011 – nil) was recorded as long term debt due within one year.

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 13. Other Liabilities

The components of other liabilities were as follows:

		As at	
($ millions)	**Jun. 16, 2012**	Jun. 18, 2011	Dec. 31, 2011
Defined benefit plan liability	**$ 736**	$ 479	$ 674
Other long term employee benefit liability	**126**	122	130
Deferred vendor allowances	**28**	36	32
Share-based compensation liability (note 17)	**23**	21	24
Other	**178**	144	173
Other liabilities	**$ 1,091**	$ 802	$ 1,033

Note 14. Common Share Capital

Common Shares As at the end of the second quarter of 2012, 128,186,962 (June 18, 2011 – 129,088,526; December 31, 2011 – 128,188,843) GWL common shares were issued and outstanding.

During the second quarter of 2012 and year-to-date, GWL issued nil (2011 – 11,393) and 3,034 (2011 – 14,864) common shares, respectively, in connection with its stock option plan (see note 17).

Normal Course Issuer Bid ("NCIB") Program During the second quarter of 2012 and year-to-date, GWL purchased for cancellation 3,034 (2011 – nil) and 4,915 (2011 – nil) of its common shares, respectively, for a nominal amount (2011 – nil). Nominal premiums (2011 – nil) paid on common shares purchased for cancellation were recorded in retained earnings.

During the second quarter of 2012, GWL renewed its NCIB program to purchase on the Toronto Stock Exchange ("TSX") or enter into equity derivatives to purchase up to 6,409,499 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 prices of such shares.

Note 15. Subsidiary Capital Transactions

During the second quarter of 2012 and year-to-date, Loblaw purchased for cancellation 56,838 (2011 – 80,000) and 111,746 (2011 – 80,000) of its common shares, respectively. As a result, contributed surplus decreased by a nominal amount (2011 – $1 million) and $1 million (2011 – $1 million), respectively.

During the second quarter of 2012 and year-to-date, Loblaw issued 65,731 (2011 – 531,258) and 122,569 (2011 – 606,267) of its common shares, respectively, in connection with its stock option plan (see note 17). As a result, contributed surplus increased by $1 million (2011 – $5 million) and $2 million (2011 – $7 million), respectively.

During the second quarter of 2011, Loblaw issued 938,984 common shares to GWL under the Dividend Reinvestment Plan ("DRIP"). As a result of the Company's participation in the DRIP, the Company's proportional ownership of Loblaw increased, resulting in a decrease to contributed surplus of $4 million. The Loblaw Board of Directors approved the discontinuance of the DRIP following the dividend payment on April 1, 2011.

Note 16. Post-Employment and Other Long Term Employee Benefits

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

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 16, 2012**	Jun. 18, 2011	**Jun. 16, 2012**	Jun. 18, 2011
Post-employment benefit cost recognized in operating income(1)	**$ 34**	$ 31	**$ 73**	$ 68
Other long term employee benefits cost recognized in operating income	**6**	1	**10**	6
Post-employment and other long term employee benefit costs included in net interest expense and other financing charges (note 3)	**1**	3	**3**	5
Actuarial losses before income taxes recognized in other comprehensive loss	**140**	104	**100**	98

(1) Excludes the accrual of the multi-employer pension plan withdrawal liability of $35 million recorded in the second quarter of 2012 disclosed below.

The post-employment benefit cost included costs for the Company's defined benefit plans, defined contribution pension plans and the multi-employer pension plans ("MEPP") in which it participates. The other long term employee benefits cost included costs for the Company's long term disability plan. The actuarial losses recognized in other comprehensive loss in the second quarter of 2012 and year-to-date were primarily due to decreases in the discount rates. The actuarial losses recognized in the second quarter of 2012 were also due to lower than expected returns on assets. The actuarial losses recognized in other comprehensive loss in the second quarter of 2011 and year-to-date were primarily due to decreases in the discount rates and lower than expected returns on assets.

Multi-employer Pension Plans

The Company participates in various MEPPs, providing pension benefits to union employees pursuant to provisions of collective bargaining agreements. During the second quarter of 2012, Weston Foods withdrew from one of the United States MEPPs in which it participated. As a result, the Company is subject to a withdrawal liability. Management's estimate of the withdrawal liability related to this plan is approximately $35 million. This liability was recorded in the second quarter of 2012 and is presented in trade and other payables and selling, general and administrative expenses in the Company's consolidated balance sheet and consolidated statement of earnings, respectively.

Note 17. 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 ("RSU") plans, performance share unit ("PSU") plans and GWL's and Glenhuron Bank Limited's ("Glenhuron"), a wholly owned subsidiary of Loblaw, equity derivatives:

	12 Weeks Ended		24 Weeks Ended	
($ millions)	**Jun. 16, 2012**	Jun. 18, 2011	**Jun. 16, 2012**	Jun. 18, 2011
Stock option plans expense[(1)]	**$ 4**	$ 7	**$ 8**	$ 5
RSU[(1)] and PSU plans expense	**1**	13	**2**	5
Equity derivative contracts expense (income)	**6**	(7)	**14**	12
Net share-based compensation expense	**$ 11**	$ 13	**$ 24**	$ 22

(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 RSUs were compensated for the decreased value of their awards resulting from the payment of the dividend. The related expense was included in compensation expense.

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

	As at		
($ millions)	**Jun. 16, 2012**	Jun. 18, 2011	Dec. 31, 2011
Trade and other payables	**$ 11**	$ 19	$ 17
Other liabilities	**23**	21	24
Contributed surplus	**41**	39	45
	$ 75	$ 79	$ 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 stock option plan activity:

	12 Weeks Ended		24 Weeks Ended	
(Number of Options)	**Jun. 16, 2012**	Jun. 18, 2011	**Jun. 16, 2012**	Jun. 18, 2011
Outstanding options, beginning of period	**1,730,860**	1,742,799	**1,414,504**	1,533,443
Granted	**61,756**	5,565	**381,146**	243,159
Exercised		(11,393)	**(3,034)**	(14,864)
Forfeited/cancelled	**(47,857)**	(32,649)	**(47,857)**	(57,416)
Expired	**(238,597)**		**(238,597)**	
Outstanding options, end of period	**1,506,162**	1,704,322	**1,506,162**	1,704,322

During the second quarter of 2012, GWL granted stock options with a weighted average exercise price of $62.98 (2011 – $70.98) per common share. The fair value of GWL stock options as calculated under the Black-Scholes stock option valuation model was $1 million (2011 – nominal). In addition, during the second quarter of 2012 and year-to-date, GWL issued nil (2011 – 11,393) and 3,034 (2011 – 14,864) common shares, respectively, on the exercise of stock options and received nil (2011 – $1 million) and a nominal amount (2011 – $1 million) in cash consideration, respectively.

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:

	12 Weeks Ended	
	Jun. 16, 2012	Jun. 18, 2011
Expected dividend yield(1)	**2.3% - 2.4%**	2.0%
Expected share price volatility(2)	**24.2% - 25.8%**	24.5% - 26.0%
Risk-free interest rate(3)	**1.5% - 1.8%**	2.4% - 2.7%
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 stock option plan expense. The forfeiture rate applied as at the end of the second quarter of 2012 was 4.6% (June 18, 2011 – 4.3%; December 31, 2011 – 4.6%).

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

	12 Weeks Ended		24 Weeks Ended	
(Number of Options)	**Jun. 16, 2012**	Jun. 18, 2011	**Jun. 16, 2012**	Jun. 18, 2011
Outstanding options, beginning of period	**14,507,527**	12,084,762	**10,750,993**	9,320,865
Granted	**12,281**	45,980	**4,567,302**	3,141,247
Exercised	**(65,731)**	(531,258)	**(122,569)**	(606,267)
Forfeited/cancelled	**(331,836)**	(203,752)	**(531,756)**	(460,113)
Expired			**(541,729)**	
Outstanding options, end of period	**14,122,241**	11,395,732	**14,122,241**	11,395,732

During the second quarter of 2012, Loblaw granted stock options with an exercise price of $32.88 (2011 – $41.52) per common share. The fair value of Loblaw stock options as calculated under the Black-Scholes stock option valuation model was nominal (2011 – nominal). In addition, during the second quarter of 2012 and year-to-date, Loblaw issued 65,731 (2011 – 531,258) and 122,569 (2011 – 606,267) common shares, respectively, on the exercise of stock options and received $2 million (2011 – $16 million) and $4 million (2011 – $19 million) in cash consideration, respectively.

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:

	12 Weeks Ended	
	Jun. 16, 2012	Jun. 18, 2011
Expected dividend yield(1)	**2.6%**	2.1%
Expected share price volatility(2)	**22.6% - 24.8%**	22.2% - 24.6%
Risk-free interest rate(3)	**1.4% - 1.6%**	2.3% - 2.8%
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 stock option plan expense. The forfeiture rate applied as at the end of the second quarter of 2012 was 16.3% (June 18, 2011 – 16.2%; December 31, 2011 – 16.3%).

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

	12 Weeks Ended		24 Weeks Ended	
(Number of Awards)	**Jun. 16, 2012**	Jun. 18, 2011	**Jun. 16, 2012**	Jun. 18, 2011
RSUs, beginning of period	**209,888**	223,760	**139,813**	163,370
Granted	**12,174**	668	**82,249**	67,200
Settled	**(31,825)**	(58,606)	**(31,825)**	(62,381)
Forfeited	**(7,039)**	(220)	**(7,039)**	(2,587)
RSUs, end of period	**183,198**	165,602	**183,198**	165,602
RSUs settled ($ millions)	**$ 2**	$ 4	**$ 2**	$ 4

As at the end of the second quarter of 2012, the intrinsic value of GWL's vested RSUs was $4 million (June 18, 2011 – $5 million and December 31, 2011 – $6 million).

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

	12 Weeks Ended		24 Weeks Ended	
(Number of Awards)	**Jun. 16, 2012**	Jun. 18, 2011	**Jun. 16, 2012**	Jun. 18, 2011
RSUs, beginning of period	**1,469,799**	1,104,308	**1,119,496**	1,045,346
Granted	**1,058**	4,617	**376,742**	352,371
Settled	**(254,026)**	(53,454)	**(268,777)**	(321,785)
Forfeited	**(24,132)**	(10,744)	**(34,762)**	(31,205)
RSUs, end of period	**1,192,699**	1,044,727	**1,192,699**	1,044,727
RSUs settled ($ millions)	**$ 8**	$ 2	**$ 9**	$ 12

As at the end of the second quarter of 2012, the intrinsic value of Loblaw's vested RSUs was $14 million (June 18, 2011 – $17 million; 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 PSU plan activity:

	GWL	
	12 Weeks Ended	24 Weeks Ended
(Number of Awards)	**Jun. 16, 2012**	**Jun. 16, 2012**
PSUs, beginning of period	**39,561**	
Granted	**3,451**	**43,012**
Forfeited	**(1,911)**	**(1,911)**
PSUs, end of period	**41,101**	**41,101**

As at the end of the second quarter of 2012, the intrinsic value of GWL's vested PSUs was nominal.

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

	Loblaw	
	12 Weeks Ended	24 Weeks Ended
(Number of Awards)	**Jun. 16, 2012**	**Jun. 16, 2012**
PSUs, beginning of period	**50,818**	
Granted		**50,818**
PSUs, end of period	**50,818**	**50,818**

As at the end of the second quarter of 2012, the intrinsic value of Loblaw's vested PSUs was nominal.

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

		As at	
($ millions unless otherwise indicated)	**Jun. 16, 2012**	Jun. 18, 2011	Dec. 31, 2011
Outstanding contracts (in millions)	**0.8**	1.7	0.8
Forward price (June 18, 2011 – average forward price) per share ($)	**$ 107.26**	$ 95.42	$ 107.26
Unrealized loss recorded in trade and other payables	**$ 39**	$ 43	$ 31

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

		As at	
($ millions unless otherwise indicated)	**Jun. 16, 2012**	Jun. 18, 2011	Dec. 31, 2011
Outstanding contracts (in millions)	**1.1**	1.5	1.1
Average forward price per share ($)	**$ 56.55**	$ 56.36	$ 56.38
Interest expense (income) per share ($)	**$ 0.12**	$ 0.14	$ (0.05)
Unrealized loss recorded in trade and other payables	**$ 26**	$ 26	$ 20

Note 18. Financial Instruments

Cash and Cash Equivalents, Short Term Investments and Security Deposits
As at the end of the second quarter of 2012, the Company had cash and cash equivalents, short term investments and security deposits of $3,942 million (June 18, 2011 – $3,674 million; December 31, 2011 – $4,101 million), including U.S. $2,272 million (June 18, 2011 – U.S. $2,185 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 second quarter of 2012 and year-to-date, gains of $15 million (2011 – loss of $1 million) and $1 million (2011 – loss of $11 million), respectively, were recognized in other comprehensive 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 gain of $23 million (2011 – loss of $1 million) and a nominal gain (2011 – loss of $18 million), respectively, were 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 second quarter of 2012 and year-to-date, a gain of $25 million (2011 – loss of $2 million) and a nominal gain (2011 – loss of $20 million), respectively, were recognized in operating income as a result of translating U.S. dollar denominated cash and cash equivalents, short term investments and security deposits held primarily by Glenhuron. Cross currency swaps provide an offset to 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 $1,219 million (June 18, 2011 – $1,210 million; December 31, 2011 – $1,252 million) Canadian dollars, which mature by 2019. During the second quarter of 2012 and year-to-date, a fair value loss of $28 million (2011 – gain of $1 million) and a nominal gain (2011 – gain of $22 million), respectively, were recognized in operating income relating to these 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 second quarter of 2012 and year-to-date, Loblaw recognized unrealized fair value gains of $6 million (2011 – $3 million) and $2 million (2011 – loss of $6 million), respectively, in operating income related to these cross currency swaps. In addition, in the second quarter of 2012 and year-to-date, Loblaw recognized an unrealized foreign currency translation loss of $7 million (2011 – nominal gain) and a nominal loss (2011 – gain of $6 million), respectively, in operating income related to its U.S. $300 million fixed-rate private placement notes.

Interest Rate Swaps

Loblaw maintains a notional $150 million (June 18, 2011 − $150 million; December 31, 2011 − $150 million) in interest rate swaps, on which it pays a fixed rate of 8.38%. In the second quarter of 2012 and year-to-date, Loblaw recognized a fair value gain of $3 million (2011 – $2 million) in operating income related to these swaps.

Equity Derivative Contracts

As at the end of the second quarter of 2012, GWL and Glenhuron had equity derivative contracts to purchase GWL and Loblaw common shares, respectively. See note 17 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 second quarter of 2012, the forward price had increased to $90.03 (June 18, 2011 − $85.95; 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 $554 million (June 18, 2011 − $453 million; December 31, 2011 – $478 million) was recorded in other assets (see note 10). In the second quarter of 2012 and year-to-date, fair value gains of $16 million (2011 – loss of $6 million) and $58 million (2011 – $14 million), respectively, were recorded in net interest expense and other financing charges related to this agreement.

Note 19. 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, except for Income and Other Taxes as disclosed 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.

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.

Subsequent to the end of the second quarter of 2012, Loblaw received indication from the Canada Revenue Agency ("CRA") that it intends to proceed with a reassessment with regard to the tax treatment of Loblaw's wholly owned subsidiary, Glenhuron. At this early stage, it is not possible to quantify the amount of the proposed reassessment. While Loblaw does not expect the ultimate outcome to be material, such matters cannot be predicted with certainty and could result in a material charge for the Company in future periods.

As previously noted, GWL received a reassessment from the 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.

Multi-employer Pension Plans

During the second quarter of 2012, Weston Foods withdrew from one of the United States MEPPs in which it participated. As a result, the Company is subject to a withdrawal liability which was recorded in the second quarter of 2012 (see note 16). If certain events occur over the next three years and a mass withdrawal from the plan is triggered, the Company may be subject to an incremental withdrawal liability. This incremental withdrawal liability, if triggered, is not expected to have a material impact on the Company's financial statements.

Note 20. Financial Guarantees

During the second quarter of 2012, Loblaw increased its guarantee on behalf of PC Bank to MasterCard® International Incorporated from U.S. $180 million to U.S. $230 million, primarily due to an increase in active accounts.

Note 21. Segment Information

The Company has two reportable operating segments: Weston Foods and Loblaw. The accounting policies of the reportable operating segments are the same as those described herein and in the Company's 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 Jun. 16, 2012	12 Weeks Ended Jun. 18, 2011	24 Weeks Ended Jun. 16, 2012	24 Weeks Ended Jun. 18, 2011
Revenue				
Weston Foods	**$ 400**	$ 407	**$ 825**	$ 817
Loblaw	**7,375**	7,278	**14,312**	14,150
Intersegment	**(148)**	(154)	**(286)**	(288)
Consolidated	**$ 7,627**	$ 7,531	**$ 14,851**	$ 14,679
Adjusted EBITDA(1)				
Weston Foods	**$ 78**	$ 78	**$ 151**	$ 149
Loblaw	**478**	534	**900**	1,009
Total	**$ 556**	$ 612	**$ 1,051**	$ 1,158
Depreciation and Amortization(2)				
Weston Foods	**$ 13**	$ 13	**$ 27**	$ 27
Loblaw	**179**	159	**349**	311
Total	**$ 192**	$ 172	**$ 376**	$ 338
Adjusted Operating Income(1)				
Weston Foods	**$ 65**	$ 65	**$ 124**	$ 122
Loblaw	**299**	375	**551**	698
Impact of certain items(3)	**(64)**	(42)	**(78)**	(102)
Other(4)	**23**	(1)		(18)
Consolidated operating income	**$ 323**	$ 397	**$ 597**	$ 700

(1) Excludes certain items and is used internally by management when analyzing segment underlying operating performance.
(2) Excludes accelerated depreciation in the second quarter of 2012 and year-to-date of $1 million (2011 – nil) included in restructuring and other charges.
(3) The impact of certain items excluded by management includes restructuring and other charges, the fair value adjustment of commodity derivatives at Weston Foods, share-based compensation net of equity derivatives, the MEPP withdrawal liability incurred by Weston Foods and certain prior year's commodity tax matters at Loblaw.
(4) Operating income for the quarter and year-to-date included a gain of $23 million (2011 – loss of $1 million) and a nominal gain (2011 – loss of $18 million), respectively, related to the effect of foreign currency translation on a portion of the U.S. dollar denominated cash and short term investments held by foreign operations.

($ millions)	As at Jun. 16, 2012	Jun. 18, 2011	Dec. 31, 2011
Total Assets			
Weston Foods	**$ 2,021**	$ 1,894	$ 1,875
Loblaw	**17,429**	16,739	17,588
Other(1)	**1,749**	1,722	1,860
Consolidated	**$ 21,199**	$ 20,355	$ 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 June 16, 2012 in connection with the Company's Short Form Base Shelf Prospectus dated May 25, 2011.

Earnings coverage on financial liabilities	2.75 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 **Jun. 16, 2012**	 Jun. 18, 2011
Operating Results		
Sales	**$ 7,627**	$ 7,531
Operating income	**323**	397
Adjusted operating income[2]	**364**	440
Adjusted EBITDA[2]	**556**	612
Net Interest expense and other financing charges[3]	**72**	98
Net earnings attributable to shareholders of the Company	**137**	157
Net earnings	**196**	230
Financial Position and Cash Flow		
Working capital	**$ 3,259**	$ 2,970
Cash and cash equivalents, short term investments and security deposits	**3,942**	3,674
Cash flows from operating activities	**663**	540
Adjusted debt[2]	**5,965**	5,887
Fixed asset purchases	**254**	170
Free cash flow[2]	**480**	457
Per Common Share ($)		
Basic net earnings	**$ 0.99**	$ 1.13
Adjusted basic net earnings[2]	**1.06**	1.34
Financial Ratios		
Sales growth (%)	**1.3**	0.7
Adjusted operating margin (%) [2]	**4.8**	5.8
Adjusted EBITDA margin (%) [2]	**7.3**	8.1
Interest coverage[2]	**4.4x**	4.0x
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**	1.10
Rolling year return on average net assets (%) [2]	**11.7**	12.7
Rolling year return on average equity attributable to common shareholders of the Company (%)	**12.7**	10.3
Reportable Operating Segments		
Weston Foods		
Sales	**$ 400**	$ 407
Operating income	**12**	55
Adjusted operating income[2]	**65**	65
Adjusted operating margin (%) [2]	**16.3**	16.0
Loblaw		
Sales	**$ 7,375**	$ 7,278
Operating income	**288**	343
Adjusted operating income[2]	**299**	375
Adjusted operating margin (%) [2]	**4.1**	5.2

(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 23.
(3) Included non-cash income of $16 million (2011 – a non-cash-charge $6 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
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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.

Second Quarter Conference Call and Webcast

George Weston Limited will host a conference call as well as an audio webcast on Tuesday, July 31, 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: 94021980#. To access via audio webcast, please visit the Investor Centre section of www.weston.ca. Pre-registration will be available.

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