Q1

2008
First Quarter

Report to Shareholders
12 Weeks Ended March 22, 2008

Loblaw
COMPANIES LIMITED

2008 First Quarter Summary[1]

LOBLAW COMPANIES LIMITED REPORTS FIRST QUARTER 2008 RESULTS

For the periods ended March 22, 2008 and March 24, 2007 (unaudited) ($ millions except where otherwise indicated)	**2008** **(12 weeks)**	2007 (12 weeks)	Change
Sales	**$ 6,527**	$ 6,347	2.8%
Operating expenses	**6,372**	6,213	2.6%
Operating income	**155**	134	15.7%
Net earnings	**62**	54	14.8%
Basic net earnings per common share ($)	**0.23**	0.20	15.0%
Same-store sales increase (%)	**2.8%**	2.4%	
Operating margin	**2.4%**	2.1%	
EBITDA[2]	**$ 291**	$ 270	7.8%
EBITDA margin[2]	**4.5%**	4.3%	
Free cash flow[2]	**$ (493)**	$ (396)	(24.5%)

Sales in the first quarter of 2008 were $6,527 million compared to $6,347 million in the same period in 2007, an increase of 2.8%. Net earnings were $62 million, a 14.8% increase over the same period last year. EBITDA[2] of $291 million represented a 7.8% increase over last year. Basic net earnings per common share were $0.23, compared to $0.20 in the first quarter last year. As described on page 12 of the MD&A, effective the first quarter of 2008, sales, operating income, EBITDA[2],net earnings, and basic net earnings per common share are no longer reported on an adjusted basis.

In addition to factors outlined in the MD&A, the year-over-year change in the following items influenced the Company's operating income in the first quarter of 2008 compared to the same period in 2007:

- Charges related to restructuring costs in 2008 of $3 million compared to $89 million in 2007. The effect on basic net earnings per common share was a charge of $0.01 (2007 − $0.21).
- Charges related to the net effect of stock-based compensation and the associated equity forwards of $25 million in 2008 compared to $12 million in 2007. The effect on basic net earnings per common share was a charge of $0.10 (2007 − $0.05). A non-cash loss on equity forwards resulted from a decline in the Company's share price during the first quarter of 2008.

Excluding the above items, operating income, EBITDA[2] and basic net earnings per common share in the first quarter of 2008 were lower compared to the first quarter of 2007.

Commenting on the Company's performance, Galen G. Weston, Loblaw Companies Limited Executive Chairman said: "Performance in the first quarter was challenging. The Company continues to make progress on its turnaround plan. However, over one year into our turnaround we are not where we need to be. The new centralized organization is on track to deliver the expected benefits of cost management, better buying, and operational discipline, however it lags behind as an effective selling organization. Last week, we took action to address this by changing the senior executive team. Our new structure will provide the clarity and focus that is required to execute the next phase of our strategy."

Highlights of the Quarter

- Sales volume based on retail units sold increased by 3.0% compared to 0.5% during the first quarter of 2007. The revenue impact of this increase was partially offset by internal retail food price deflation of approximately 1.0%. Same-store sales in the quarter increased by 2.8% over the first quarter of 2007, however, approximately 0.7% of this increase was due to the shift of Easter sales

(1) To be read in conjunction with "Forward-Looking Statements" on page 3.
(2) See Non-GAAP Financial Measures on page 12.

into the first quarter of this year as compared to the second quarter of 2007. Total sales increases in the first quarter of 2008 were achieved by positive growth in both customer and item counts. Total sales increases were achieved in Ontario, Atlantic, and western Canada while Quebec sales were flat compared to the same period last year. All regions experienced positive same-store sales growth. Food and drugstore sales increased while general merchandise sales were flat when compared to the first quarter of 2007.

- Operating income of $155 million for the first quarter of 2008 increased by $21 million, or 15.7%, over the first quarter of 2007. Operating margin in the quarter was 2.4% compared to 2.1% in the same quarter last year. The increase in operating income was due to lower restructuring costs in the first quarter of 2008. The Company continues to invest in lower retail prices.

- For the first quarter of 2008, basic net earnings per common share were $0.23 compared to $0.20 in the same quarter last year. EBITDA(1) for the quarter was $291 million, representing an increase of 7.8% over the first quarter of 2007. EBITDA margin(1) increased to 4.5% from 4.3% in 2007.

- The Company's key operational 'shop-keeping' initiatives are progressing well. Shrink was lower, labour productivity improved over the same period last year and the roll-out of the Always Available program to additional stores continued. On-shelf availability steadily improved in the quarter**.**

- Work continued on store pilots in all three formats in the first quarter of 2008. The pilots have been well received by customers and, although the pilots are at an early stage, sales growth and labour productivity are tracking on or ahead of expectations.

- Free cash flow(1) for the first quarter of 2008 was negative $493 million compared to negative $396 million in the first quarter of 2007. The reduction was due to an increase in cash flows used in operating activities of $77 million and an increase in capital expenditures of $20 million compared to the first quarter of last year. Free cash flow(1) is typically negative in the first quarter and is expected to improve throughout the remainder of the year due to increases in net earnings and improvements in cash flows from working capital.

- On March 20, 2008, the Company announced that it had completed an $800 million, 5-year committed credit facility provided by a syndicate of banks, replacing the previous $500 million, 364-day credit facility.

On April 21, 2008 the Company announced a number of changes to its senior executive team. Mr. Allan L. Leighton was appointed President, in addition to his role as Deputy Chairman. Mr. Mark Foote, President and Chief Merchandising Officer, left the Company and was succeeded by Mr. Frank Rocchetti as Executive Vice President and Chief Merchandising Officer. Mr. William M. Wells, Chief Financial Officer, resigned from the Company to assume the role of chief executive officer with another public company. Mr. Robert Vaux, Chief Financial Officer of George Weston Limited, was appointed interim Chief Financial Officer of the Company until further notice. In addition, the Company announced the departure of Mr. Pietro Satriano as Executive Vice President, Food. These changes will provide the clarity and focus required to support the next phase of the Company's turnaround plan.

In a very competitive environment, sales volumes continued to improve from the Company's investments in value for customers and focus on shelf availability. Through the remainder of the year, the Company intends to continue with its targeted pricing investments and expects solid sales volume growth. Management's ongoing focus on cost and operating efficiencies is expected to help offset the effect of pricing and competition on margins. Although some financial benefits of the restructuring are anticipated to take hold in the second half of the year, there is still much work to do.

(1) See Non-GAAP Financial Measures on page 12.

Contents

Forward-Looking Statements

This Quarterly Report for Loblaw Companies Limited and its subsidiaries (collectively, the "Company" or "Loblaw") including the Management's Discussion and Analysis (MD&A), contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects and opportunities. Words such as "anticipate", "expect", "believe", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" and "should" and similar expressions, as they relate to the Company and its management, are intended to identify forward-looking statements. These forward-looking statements are not historical facts but reflect the Company's current expectations concerning future results and events.

These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. These risks and uncertainties include, but are not limited to: changes in economic conditions; changes in consumer spending and preferences; heightened competition, whether from new competitors or current competitors; changes in the Company's or its competitors' pricing strategies; failure of the Company's franchised stores to perform as expected; risks associated with the terms and conditions of financing programs offered to the Company's franchisees; failure to realize anticipated cost savings and operating efficiencies from the Company's major initiatives, including investments in the Company's information technology systems, supply chain investments and other cost reduction and simplification initiatives; the inability of the Company's information technology infrastructure to support the requirements of the Company's business; the inability of the Company to manage inventory to minimize the impact of obsolete or excess issues and to control shrink; failure to execute successfully and in a timely manner the Company's major initiatives, including the implementation of strategies and introduction of innovative products; unanticipated costs associated with the Company's strategic initiatives, including those related to compensation costs; the inability of the Company's supply chain to service the needs of the Company's stores; deterioration in the Company's relationship with its employees, particularly through periods of change in the Company's business; failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements; changes to the regulatory environment in which the Company operates; the adoption of new accounting standards and changes in the Company's use of accounting estimates including in relation to inventory valuation; fluctuations in the Company's earnings due to changes in the value of equity forward contracts relating to its common shares; changes in the Company's tax liabilities resulting from changes in tax laws or future assessments; detrimental reliance on the performance of third-party service providers; public health events; the inability of the Company to obtain external financing; the inability of the Company to attract and retain key executives; and supply and quality control issues with vendors. These and other risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Risks and Risk Management section of the MD&A included in the Company's 2007 Annual Report. 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.

In addition to these risks and uncertainties, the material assumptions used in making the forward looking statements contained herein and in particular in the 2008 First Quarter Summary and the section entitled "Outlook" on page 11 of this Quarterly Report, include: there is no material change in economic conditions; patterns of consumer spending and preferences are reasonably consistent with historical trends; there is no significant change in competitive conditions, whether related to new competitors or current competitors; there is no unexpected change in the Company's or its competitors' current pricing strategies; the Company's franchised stores perform as expected; anticipated cost savings and operating efficiencies are achieved, including those from the Company's cost reduction and simplification initiatives; there is no unexpected change in the Company's access to liquidity; and there are no significant regulatory, tax or accounting changes or other significant events occurring outside the ordinary course of business.

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 Loblaw Companies Limited and its subsidiaries (collectively, the "Company" or "Loblaw") should be read in conjunction with the Company's 2008 unaudited interim period consolidated financial statements and the accompanying notes on pages 18 to 32 of this Quarterly Report and the audited annual consolidated financial statements and the accompanying notes for the year ended December 29, 2007 and the related annual MD&A included in the Company's 2007 Annual Report. The Company's 2008 unaudited interim period consolidated financial statements and the accompanying notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars. These interim period consolidated financial statements include the accounts of Loblaw Companies Limited and its subsidiaries and variable interest entities ("VIEs") that the Company is required to consolidate in accordance with Accounting Guideline 15, "Consolidation of Variable Interest Entities", ("AcG 15"). A glossary of terms used throughout this Quarterly Report can be found on page 85 of the Company's 2007 Annual Report. In addition, this Quarterly Report includes the following terms: "rolling year return on average total assets" which is defined as cumulative operating income for the latest four quarters divided by average total assets excluding cash and cash equivalents, short term investments, and security deposits; and "rolling year return on average shareholders' equity" which is defined as cumulative net earnings available to common shareholders for the latest four quarters divided by average total common shareholders' equity.

The information in this MD&A is current to April 29, 2008, unless otherwise noted.

Results of Operations

Financial performance in the first quarter was challenging but the Company continues to make steady progress on its turnaround plan. Sales improved over the first quarter of 2007 despite deflationary internal retail food prices. Sales and sales volumes improved over the first quarter of 2007 but the Company's ongoing commitment to lower retail prices continued to put pressure on margins.

Total sales increases in the first quarter of 2008 were achieved by positive growth in both customer and item counts. Same-store sales in the first quarter of 2008 increased by 2.8% during a period of internal retail price deflation of approximately 1.0% compared to the first quarter of 2007. Sales volume, based on retail units sold, increased by 3.0% compared to 0.5% during the same period last year.

The Company's key operational 'shop-keeping' initiatives are progressing well. Shrink was lower, labour productivity improved over the same period last year and the roll-out of the Always Available program to additional stores continued. On-shelf availability steadily improved in the quarter. Loblaw continued to work on store pilots in all three formats in the first quarter of 2008. The pilots have been well received by customers and, although the pilots are at an early stage, sales growth and labour productivity are tracking on or ahead of expectations.

Operating income of $155 million for the first quarter of 2008 increased by $21 million compared to the first quarter of 2007. The increase in operating income was mainly due to lower restructuring costs in the first quarter of 2008. Margins declined in the first quarter of 2008 as a result of the Company's continued investment in lower retail prices. The Company initiated significant pricing investments in the third quarter of 2007, and as a result, margins in the first quarter of 2008 were negatively impacted when compared to the first quarter of 2007.

The effective income tax rate in the first quarter of 2008 increased to 37.1%, compared to 30.7% in the first quarter of 2007, primarily due to an increase in income tax accruals relating to certain income tax matters and a change in the proportion of taxable income earned across different tax jurisdictions.

For the first quarter of 2008, basic net earnings per common share were $0.23 compared to $0.20 in 2007, an increase of 15.0%.

(1) See Non-GAAP Financial Measures on page 12.

Sales Sales for the first quarter increased by 2.8% to $6,527 million compared to $6,347 million in the first quarter of 2007. Total sales increases were realized in Ontario, Atlantic, and western Canada while Quebec sales were flat compared to the same period last year. All regions experienced positive same-store sales growth. Sales growth in food and drugstore were positive while sales of general merchandise were flat when compared to the first quarter of 2007. Same-store sales increased by 2.8% in the quarter during a period of deflationary internal retail food prices.

The following factors explain the major components in the change in sales for the first quarter of 2008 compared to same period in 2007:

- same-store sales growth of 2.8% with positive same-store sales growth in all regions across the country;
- Easter occurred 2 weeks earlier in 2008 compared to the prior year, resulting in a shift in holiday sales into the first quarter of 2008. Sales and same-store sales growth were positively impacted for the first quarter of 2008 by approximately 0.7%;
- the Company's internal retail food price deflation for the first quarter of 2008 was approximately 1.0% (2007 – inflation of 3.0%). National food price inflation as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI") was 0.1% for the first quarter of 2008 compared to 3.8% in the same period of 2007;
- the Company experienced positive volume growth of 3.0% (2007 – 0.5%) based on retail units sold; and
- during the first quarter of 2008, 6 new corporate and franchised stores were opened and 5 were closed, resulting in a net increase of 0.1 million square feet or 0.2%. During the latest four quarters, net retail square footage increased by 0.7 million square feet, or 1.5%, due to the opening of 34 new corporate and franchised stores and the closure of 34 stores, inclusive of stores that have undergone conversions and major expansions.

Operating Income Operating income of $155 million for the first quarter of 2008 compared to $134 million in the same period of 2007, an increase of 15.7%. Operating margin was 2.4% for the first quarter of 2008 compared to 2.1% in 2007. The increase in operating income was due to lower restructuring costs.

The year over year change in the following items influenced operating income for the first quarter of 2008 compared to the first quarter of 2007:

- charge of $3 million (2007 − $89 million) related to restructuring costs; and
- charge of $25 million (2007 – $12 million) related to the net effect of stock-based compensation and the associated equity forwards. A non-cash loss on equity forwards resulted from a decline in the Company's share price during the first quarter of 2008.

Margins declined in the first quarter of 2008 as a result of the Company's continued investment in lower retail prices to drive same-store sales growth. The Company initiated significant pricing investments in the third quarter of 2007 and as a result, margins in the first quarter of 2008 were negatively impacted compared to the first quarter of 2007. Sales increases in the quarter were insufficient to offset margin declines and cost increases.

The Company experienced higher store labour costs in the first quarter of 2008 as a result of increased wages and incremental statutory holidays compared to the first quarter of 2007. There were two additional statutory holidays in the first quarter of 2008 compared to the prior year as a result of the shift in timing of the Easter holiday and a new holiday in certain provinces. Labour productivity improved in the first quarter of 2008 compared to the same period last year.

The Company continues to use consultants as an important enabler of its business transformation, however, their focus is transitioning to support supply chain and information technology improvements. Consulting costs in the first quarter of 2008 were higher than in the first quarter of 2007.

EBITDA(1) increased by $21 million, or 7.8%, to $291 million in the first quarter of 2008 compared to $270 million in the first quarter of 2007. EBITDA margin(1) increased in the first quarter of 2008 to 4.5% from 4.3% in the comparable period of 2007.

(1) See Non-GAAP Financial Measures on page 12.

Interest Expense Interest expense for the first quarter of 2008 was $58 million compared to $59 million in the same period of 2007. The following items impacted interest expense:

- interest on long term debt was $66 million (2007 – $66 million);
- interest income on financial derivative instruments, which includes the effect of the Company's interest rate swaps, cross currency basis swaps and equity forwards, was $1 million (2007 – charge of $3 million);
- net short term interest income of $2 million (2007 – $4 million); and
- interest expense of $5 million (2007 – $6 million) was capitalized to fixed assets.

Income Taxes The effective income tax rate in the first quarter of 2008 increased to 37.1%, compared to 30.7% in the first quarter of 2007, primarily due to an increase in income tax accruals relating to certain income tax matters and a change in the proportion of taxable income earned across different tax jurisdictions.

Net Earnings Net earnings for the first quarter increased by $8 million, or 14.8%, to $62 million from $54 million in the first quarter of 2007. Basic net earnings per common share for the first quarter increased by $0.03, or 15.0%, to $0.23 from $0.20 in the first quarter of 2007.

Basic net earnings per common share were affected in the first quarter of 2008 compared to the first quarter of 2007 by the following:

- charge of $0.01 (2007 – $0.21) per common share related to restructuring costs; and
- charge of $0.10 (2007 – $0.05) per common share for the net effect of stock-based compensation and the associated equity forwards.

Financial Condition

Financial Ratios The Company's net debt(1) to equity ratio continued to be within the Company's internal guideline of less than 1:1. The net debt(1) to equity ratio was .75:1 at the end of the first quarter of 2008 compared to .77:1 at the end of the first quarter of 2007 and .67:1(2) at year end 2007. The increase in the net debt(1) to equity ratio at the end of the first quarter of 2008 compared to year end 2007 was due to increases in bank indebtedness and short term debt partially offset by a decrease in commercial paper. The interest coverage ratio was 2.5 times for the first quarter of 2008 compared to 2.1 times in 2007. For further details on net debt(1) to equity ratio and interest coverage ratio, see note 13 to the unaudited interim period consolidated financial statements.

The rolling year return on average total assets(1) at the end of the first quarter of 2008 increased to 6.1%, compared to 1.3% for the comparable period in 2007, and to 5.8%(2) at year end 2007. The rolling year return on average shareholders' equity at the end of the first quarter of 2008 increased to 6.2%, compared to (5.3)% for the comparable period of 2007, and remained consistent with 6.0%(2) at year end 2007. The ratios in the first quarter of 2007 were negatively impacted by the decline in cumulative operating income for the latest four quarters including the negative impact of the $800 million non-cash goodwill impairment charge recorded in the fourth quarter of 2006.

(1) See Non-GAAP Financial Measures on page 12.

(2) See page 12 of the Company's 2007 Annual Report.

Common Share Dividends Loblaw's Board of Directors declared a quarterly dividend equal to $0.21 per common share with a payment date of April 1, 2008.

Outstanding Share Capital The Company's outstanding share capital is comprised of common shares. An unlimited number of common shares is authorized and 274,173,564 common shares were outstanding at quarter end. Further information on the Company's outstanding share capital is provided in note 13 to the unaudited interim period consolidated financial statements.

Liquidity and Capital Resources

Cash Flows used in Operating Activities First quarter cash flows used in operating activities were $322 million in 2008 compared to $245 million in the comparable period in 2007. The increase in cash flows used in operating activities for the first quarter was mainly due to a decrease in operating income, excluding the impact of restructuring costs, in addition to changes in cash flows used in non-cash working capital. The change in cash flows used in non-cash working capital was primarily driven by changes in accounts receivable partially offset by changes in accounts payable and accrued liabilities.

Cash Flows from (used in) Investing Activities First quarter cash flows from investing activities were $101 million compared to cash flows used in investing activities of $144 million in 2007. The primary reason for this change was a change in cash flows from short term investments partially offset by an increase in capital expenditures and a change in cash flows used in credit card receivables, after securitization. Capital investment for the first quarter amounted to $113 million (2007 – $93 million).

During the first quarter of 2008, nil (2007 – $40 million) of credit card receivables were securitized by *President's Choice* Bank ("*PC* Bank"), a wholly owned subsidiary of the Company. In the first quarter of 2008, the securitization yielded nil (2007 – nominal net gain) based on the assumptions disclosed in note10 the consolidated financial statements for the year ended December 29, 2007 included in the Company's 2007 Annual Report. The independent trusts' recourse to *PC* Bank's assets is limited to *PC* Bank's retained interests and is further supported by the Company through a standby letter of credit for $89 million (2007 – $72 million) on a portion of the securitized amount.

Cash Flows from Financing Activities First quarter cash flows from financing activities were $346 million in 2008 compared to $143 million in 2007. During the first quarter of 2008, the change in cash flows used in commercial paper was $519 million as a result of a reduction in commercial paper levels and the change in cash flows from short term debt was $728 million as a result of an increase in short term debt.

In the first quarter of 2008, the Company entered into an $800 million, 5-year committed credit facility provided by a syndicate of banks which is subject to certain financial covenants**.** This facility is the primary source of the Company's short term funding requirements and permits borrowings having up to a 180-day term that accrue interest based on short term floating interest rates**.** This facility replaced a $500 million, 364-day committed credit facility which had no financial covenants and permitted borrowings having up to a 180-day term that accrued interest based on short term floating interest rates that was terminated when the 5-year committed credit facility was completed. As at March 22, 2008, $728 million was drawn on the new 5-year committed credit facility.

The Company has obtained its long term financing primarily through a Medium Term Notes ("MTN") program. The Company may also refinance maturing long term debt, including $390 million of 6.00% MTN maturing in June 2008, with MTN if market conditions are appropriate or it may consider other alternatives. Subsequent to the first quarter of 2008, the Company filed a 2008 Preliminary Short Form Base Shelf Prospectus allowing for the issue of up to $1 billion of unsecured debentures and/or preferred shares. The Company intends to file the final Base Shelf Prospectus in the second quarter of 2008. No such securities have been issued under this Prospectus as at April 29, 2008.

(1) See Non-GAAP Financial Measures on page 12.

During the first quarter of 2008, the Company's MTN, other notes and debentures ratings and commercial paper ratings were downgraded by Dominion Bond Rating Service ("DBRS") and Standard & Poor's ("S&P"). The following table sets out the current credit ratings of the Company.

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

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

As a result of the DBRS downgrade of the short term credit rating, the Company has limited access to commercial paper. However, the Company has secured short term funding from other sources, primarily the $800 million, 5-year committed credit facility previously described.

The Company's ability to obtain funding from external sources may be restricted by further downgrades in the Company's credit ratings and should the Company's financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect the Company's access and ability to fund its short term and long term debt requirements. The Company attempts to mitigate these risks by actively maintaining appropriate levels of cash and cash equivalents, actively monitoring market conditions and diversifying its sources of funding and maturity profile. The Company also employs risk management strategies including forward-looking liquidity contingency plans.

Subsequent to the first quarter of 2008, Loblaw renewed its Normal Course Issuer Bid to purchase on the Toronto Stock Exchange, or enter into equity derivatives to purchase, up to 13,708,678 of the Company's common shares, representing 5% of the common shares outstanding. In accordance with the requirements of the Toronto Stock Exchange, Loblaw may purchase its shares at the then market prices of such shares. The Company did not purchase any shares under its Normal Course Issuer Bids during the first quarter of 2008 or in 2007.

Free Cash Flow(1) Free cash flow(1) for the first quarter of 2008 was negative $493 million compared to negative $396 million in the first quarter of 2007. The reduction was due to an increase in cash flows used in operating activities of $77 million and an increase in capital expenditures of $20 million compared to the first quarter of last year. Free cash flow(1) is typically negative in the first quarter and is expected to improve through out the remainder of the year due to increases in net earnings and improvements in cash flows from working capital.

Independent Funding Trust

Certain independent franchisees of the Company obtain financing through a structure involving independent trusts, which were created to provide loans to the independent franchisees to facilitate their purchase of inventory and fixed assets, consisting mainly of fixtures and equipment. These trusts are administered by a major Canadian chartered bank. The independent funding trust within the structure finances its activities through the issuance of short term asset-backed commercial paper ("ABCP") to third-party investors. The independent funding trust has a global style liquidity agreement from a major Canadian chartered bank in the event that it is unable to issue short term ABCP. The gross principal amount of loans issued to the Company's independent franchisees outstanding at the end of the first quarter of 2008 was $402 million (2007 – $411 million) including $165 million (2007 – $136 million) of loans payable by VIEs consolidated by the Company. Based on a formula, the Company has agreed to provide credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trust equal to approximately 10% of the principal amount of the loans outstanding at any point in time, $44 million (2007 – $44 million) as of the end of the first quarter of 2008. This credit enhancement allows the independent funding trust to provide favourable financing terms to the Company's independent franchisees. As well, each independent franchisee provides security to the independent funding trust for its obligations by way of a general security agreement. In the event that an

(1) See Non-GAAP Financial Measures on page 12.

independent franchisee defaults on its loan and the Company has not, within a specified time period, assumed the loan, or the default is not otherwise remedied, the independent funding trust shall assign the loan to the Company and draw upon this standby letter of credit. The Company has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit.

Neither the independent funding trust nor the Company can voluntarily terminate the agreement prior to December 2009, and following that date only upon six months' prior notice. Automatic termination of the agreement can occur only if specific, predetermined events occur and are not remedied within the time periods required including downgrades of the Company below a long term credit rating of "A (low)" or a short term credit rating of "R-1 (low)" as issued by DBRS. On February 7, 2008, DBRS downgraded the Company's long term credit rating to "BBB (high)" from "A (low)" and also lowered the Company's short term credit rating to "R-2 (high)" from "R-1 (low)". Subsequent to the DBRS downgrades, the Company was notified that an Event of Termination of the independent funding trust agreement for the Company's franchisees had occurred as a result of the credit rating downgrades. The $44 million (2007 − $44 million) standby letter of credit provided to the independent funding trust by the Company has not been drawn upon. If such an event were to occur, long term debt in the amount of $135 million would need to be reclassified to short term liabilities. This amount relates to certain franchisees that are VIEs that the Company currently consolidates.

The Company is in the process of securing alternative financing for the independent funding trust with a syndicate of banks in the form of a 364-day committed credit facility for the benefit of its franchisees. This new financing is expected to be completed during the second quarter of 2008. This new alternative financing will likely result in higher financing cost to the franchisees, which in turn could adversely affect operating results. Although the Company anticipates that appropriate financing for the franchisees will continue to be secured in the future, any failure to do so could adversely affect the Company's franchise programs and may impact its operating results. Any new financing structure which might be implemented would need to be reviewed to determine if there are any implications with respect to the consolidation of VIEs.

Quarterly Results of Operations

The following is a summary of selected consolidated financial information derived from the Company's unaudited interim period consolidated financial statements for each of the eight most recently completed quarters. This information was prepared in accordance with Canadian GAAP and is reported in Canadian dollars. Each of the quarters presented is 12 weeks in duration except for the third quarter, which is 16 weeks in duration.

Summary of Quarterly Results
(unaudited)

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
($ millions except where otherwise indicated)	**2008**	2007	2007	2006	2007	2006	2007	2006
Sales	**$ 6,527**	$ 6,347	$ 6,967	$ 6,784	$ 9,137	$ 9,010	$ 6,933	$ 6,699
Net earnings (loss)	**$ 62**	$ 54	$ 40	$ (756)	$ 117	$ 203	$ 119	$ 194
Net earnings (loss) per common share								
Basic ($)	**$ 0.23**	$ 0.20	$ 0.14	$ (2.76)	$ 0.43	$ 0.74	$ 0.43	$ 0.71
Diluted ($)	**$ 0.23**	$ 0.20	$ 0.14	$ (2.76)	$ 0.43	$ 0.74	$ 0.43	$ 0.71

Sales continued to grow in the first quarter of 2008 compared to the first quarter of 2007. Same-store sales growth during the first quarter of 2008 increased 2.8%. Sales and same-store sales growth in the first quarter of 2008 were positively impacted by the timing of Easter, which occurred two weeks earlier in 2008, resulting in a shift in holiday sales into the first quarter of 2008 compared to the second quarter of 2007. The positive impact of sales growth for the first quarter of 2008 from the shift in Easter sales is estimated to be approximately 0.7%. Sales increased in each quarter compared to the prior year due to increases in same-store sales. Quarterly same-store sales growth for 2007 for the second to fourth quarters was 2.7%, 1.6% and 2.6%, respectively.

Fluctuations in quarterly net earnings reflect the impact of a number of specific charges including restructuring and other charges, the net effect of stock-based compensation and the associated equity forwards, an inventory liquidation charge of $68 million in the fourth quarter of 2006, and a non-cash goodwill impairment charge of $800 million in the fourth quarter of 2006. Earnings were pressured from investments in lower retail pricing, particularly in the first quarter of 2008 and the third and fourth quarters of 2007.

Internal Control Over Financial Reporting

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

There has been no change in the Company's internal control over financial reporting that occurred during the twelve weeks ended March 22, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Legal Proceedings

During the first quarter of 2007, the Company was one of 17 defendants served with an action brought in the Superior Court of Ontario by certain beneficiaries of a multi-employer pension plan in which the Company's employees and those of its independent franchisees participate. In their claim against the employers and the trustees of the multi-employer pension plan, the plaintiffs claim that assets of the multi-employer pension plan have been mismanaged and are seeking, among other demands, damages of $1 billion. The action is framed as a representative action on behalf of all the beneficiaries of the multi-employer pension plan. Subsequent to the first quarter of 2008, the Company received confirmation that the action against the Company has been dismissed, but the action against the trustees is ongoing. One of the trustees, an officer of the Company, may be entitled to indemnification from the Company.

In addition to the claim described above, 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 is uncertain. However, based on information currently available, these claims, individually and in the aggregate, are not expected to have a material impact on the Company.

Accounting Standards Implemented in 2008

Capital Disclosures and Financial Instruments – Disclosure and Presentation In December 2006, the Canadian Institute of Chartered Accountants ("CICA") issued three new accounting standards: Section 1535, "Capital Disclosures" ("Section 1535"), Section 3862, "Financial Instruments − Disclosures" ("Section 3862") and Section 3863, "Financial Instruments − Presentation" ("Section 3863").

Section 1535 establishes guidelines for the disclosure of information regarding a company's capital and how it is managed. Enhanced disclosures with respect to the entity's objectives, policies and processes for managing capital and quantitative disclosure about what the entity regards as capital are required. For new disclosures refer to note 13 to the unaudited interim period consolidated financial statements. The adoption of Section 1535 did not have an impact on the Company's results of operations or financial condition.

Section 3862 and Section 3863 replaced Section 3861, "Financial Instruments – Disclosure and Presentation". Section 3862 requires increased disclosures regarding the risks associated with financial instruments and how these risks are managed. Section 3863 carries forward standards for presentation of financial instruments and non-financial derivative instruments and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity. For new disclosures refer to notes 15 and 17 to the unaudited interim period consolidated financial statements. Comparative information about the nature and extent of risks arising from financial instruments is not required in the year Section 3862 is adopted. The adoption of Section 3862 and Section 3863 did not have an impact on the Company's results of operations or financial condition.

Inventories During the first quarter of 2008, the Company also implemented Section 3031, "Inventories" ("Section 3031"), which replaced Section 3030 of the same title. Section 3031 provides guidance with respect to the determination of cost and requires inventories to be measured at the lower of cost and net realizable value. Costs such as storage costs and administrative overhead that do not contribute to bringing inventories to their present location and condition are specifically excluded from the cost of inventories and expensed in the period incurred. Reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories is now required. The cost of the inventories should be based on a first-in, first-out or a weighted average cost formula. Techniques used for the measurement of cost of inventories, such as the retail method may be used if the results approximate cost. The new standard also requires additional disclosures including the accounting policies used in measuring inventories, the carrying amount of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of any write-downs recognized as a reduction in expenses.

Upon implementation of Section 3031, a decrease in opening inventories of $65 million, an increase in current income taxes receivable of $24 million and a decrease of $41 million to opening retained earnings were recorded on the consolidated balance sheet resulting from the application of a consistent cost formula for all inventories having a similar nature and use to the Company. For further details of the specific accounting changes and related impacts, see notes 2 and 10 to the unaudited interim period consolidated financial statements.

Future Accounting Standards

Goodwill and Intangible Assets In November 2007, the CICA issued amendments to Section 1000 "Financial Statement Concepts," and AcG 11"Enterprises in the Development Stage," issued a new Handbook Section 3064 "Goodwill and Intangible Assets" ("Section 3064"), to replace Section 3062 "Goodwill and Other Intangible Assets", withdrew Section 3450 "Research and Development Costs" and amended EIC 27 "Revenues and Expenditures During the Pre-operating Period" to not apply to entities that have adopted Section 3064. These amendments provide guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The amendments are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008 and therefore the Company will implement them in the first quarter of 2009, retroactively with restatement of the comparative periods for the current and prior year. The impact of implementing these amendments on the Company's financial statements is currently being assessed.

International Financial Reporting Standards ("IFRS") The Canadian Accounting Standards Board will require all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and comparative financial information using IFRS. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems. The Company will assess the impact of the transition to IFRS and will continue to invest in training and resources throughout the transition period to facilitate a timely conversion.

For further details on the above future accounting standards see note 1 to the unaudited interim period consolidated financial statements.

Outlook(1)

In a very competitive environment, sales volumes continued to improve from the Company's investments in value for customers and focus on shelf availability. Through the remainder of the year, the Company intends to continue with its targeted pricing investments and expects solid sales volume growth. Management's ongoing focus on cost and operating efficiencies is expected to help offset the effect of pricing and competition on margins. Although some financial benefits of the restructuring are anticipated to take hold in the second half of the year, there is still much work to do.

(1) To be read in conjunction with "Forward-Looking Statements" on page 3.

Additional Information

Additional information about the Company has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at www.sedar.com and with the Office of the Superintendent of Financial Institutions (OSFI) as the primary regulator of the Company's subsidiary, *President's Choice* Bank.

Non-GAAP Financial Measures

The Company reports its financial results in accordance with Canadian GAAP. It has historically also included in its Quarterly and Annual Reports certain non-GAAP financial measures and ratios. Over the past year, the Company has reviewed its practices with respect to the disclosure of non-GAAP financial measures. The Company considered the separate presentation of non-GAAP financial measures taking into account the discussion in the MD&A of the results of operations and the impact of specific events on these results of operations, the disclosure practices of its industry peers and best practices.

Based on this review, the Company has decided to discontinue its use of the following non-GAAP financial measures: sales and sales growth excluding the impact of tobacco sales and VIEs, adjusted operating income and adjusted operating margin, adjusted EBITDA and adjusted EBITDA margin and adjusted basic net earnings per common share. The Company will continue to discuss the impact of individual specific items that are important in understanding the ongoing operations including those that relate to sales, operating income and basic earnings per common share.

The Company will continue to use the following non-GAAP financial measures: EBITDA and EBITDA margin, net debt, return on average total assets and free cash flow. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below. These measures do not have a standardized meaning prescribed by Canadian GAAP and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other financial measures determined in accordance with Canadian GAAP.

EBITDA and EBITDA Margin The following table reconciles earnings before minority interest, income taxes, interest expense, depreciation and amortization ("EBITDA") to operating income which is reconciled to Canadian GAAP net earnings measures reported in the unaudited interim period consolidated statements of earnings, for the twelve weeks ended March 22, 2008 and March 24, 2007. EBITDA is useful to management in assessing the Company's performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

EBITDA margin is calculated as EBITDA divided by sales.

($ millions)	**2008 (12 weeks)**	2007 (12 weeks)
Net earnings	**$ 62**	$ 54
Add (deduct) impact of the following:		
Minority interest	**(1)**	(2)
Income taxes	**36**	23
Interest expense	**58**	59
Operating income	**155**	134
Add impact of the following:		
Depreciation and amortization	**136**	136
EBITDA	**$ 291**	$ 270

Net Debt The following table reconciles net debt used in the net debt to equity ratio to Canadian GAAP measures reported in the unaudited interim period consolidated balance sheets as at March 22, 2008 and March 24, 2007. The Company calculates net debt as the sum of long term debt and short term debt less cash and cash equivalents, short term investments and security deposits which are included in other assets and believes this measure is useful in assessing the amount of leverage employed.

($ millions)	**2008**	2007
Bank indebtedness	**$ 97**	$ 97
Commercial paper	**8**	756
Short term debt	**728**	–
Long term debt due within one year	**560**	36
Long term debt	**3,733**	4,241
Less: Cash and cash equivalents	**574**	322
Short term investments	**57**	272
Security deposits included in other assets	**345**	341
Net debt	**$ 4,150**	$ 4,195

Free Cash Flow The following table reconciles free cash flow to Canadian GAAP cash flows used in operating activities reported in the unaudited interim period consolidated cash flow statements for the twelve weeks ended March 22, 2008 and March 24, 2007. The Company calculates free cash flow as cash flows used in operating activities less fixed asset purchases and dividends. The Company believes free cash flow is a useful measure of the change in the Company's cash available for additional funding requirements.

($ millions)	**2008 (12 weeks)**	2007 (12 weeks)
Cash flows used in operating activities	**$ (322)**	$ (245)
Less: Fixed asset purchases	**113**	93
Dividends	**58**	58
Free cash flow	**$ (493)**	$ (396)

Total Assets The following table reconciles total assets used in the return on average total assets to Canadian GAAP total assets reported in the unaudited interim period consolidated balance sheets as at March 22, 2008 and March 24, 2007. The Company believes the return on average total assets ratio is useful in assessing the performance of its operating assets and therefore excludes cash and cash equivalents, short term investments and security deposits which are included in other assets from the total assets used in the ratio. Rolling year return on average total assets is calculated as cumulative operating income for the latest four quarters divided by average total assets excluding cash and cash equivalents, short term investments and security deposits which are included in other assets.

($ millions)	**2008**	2007
Total assets	**$ 13,536**	$ 13,284
Less: Cash and cash equivalents	**574**	322
Short term investments	**57**	272
Security deposits included in other assets	**345**	341
Total assets	**$ 12,560**	$ 12,349

Consolidated Statements of Earnings

(unaudited)

For the periods ended March 22, 2008 and March 24, 2007 ($ millions except where otherwise indicated)	**2008** **(12 weeks)**	2007 (12 weeks)
Sales	**$ 6,527**	$ 6,347
Operating Expenses		
Cost of sales, selling and administrative expenses	**6,233**	5,988
Depreciation and amortization	**136**	136
Restructuring charges (note 3)	**3**	89
	6,372	6,213
Operating Income	**155**	134
Interest Expense (note 4)	**58**	59
Earnings before Income Taxes and Minority Interest	**97**	75
Income Taxes (note 5)	**36**	23
Net Earnings before Minority Interest	**61**	52
Minority Interest	**(1)**	(2)
Net Earnings	**$ 62**	$ 54
Net Earnings Per Common Share ($) (note 6)		
Basic and Diluted	**$ 0.23**	$ 0.20

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

Consolidated Statements of Changes in Shareholders' Equity
(unaudited)

For the periods ended March 22, 2008 and March 24, 2007 ($ millions except where otherwise indicated)	**2008** **(12 weeks)**	2007 (12 weeks)
Common Share Capital, Beginning and End of Period	**$ 1,196**	$ 1,196
Retained Earnings, Beginning of Period	**$ 4,330**	$ 4,245
Cumulative impact of implementing new accounting standards (note 2)	**(41)**	(15)
Net earnings	**62**	54
Dividends declared per common share – 21¢ (2006 – 21¢)	**(58)**	(58)
Retained Earnings, End of Period	**$ 4,293**	$ 4,226
Accumulated Other Comprehensive Income, Beginning of Period	**$ 19**	$ –
Cumulative impact of implementing new accounting standards (note 2)	**–**	16
Other comprehensive (loss) income	**(1)**	1
Accumulated Other Comprehensive Income, End of Period (note 14)	**$ 18**	$ 17
Total Shareholders' Equity	**$ 5,507**	$ 5,439

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

Consolidated Statements of Comprehensive Income
(unaudited)

For the periods ended March 22, 2008 and March 24, 2007 ($ millions)	**2008** **(12 weeks)**	2007 (12 weeks)
Net earnings	**$ 62**	$ 54
Other comprehensive income, net of income taxes		
Net unrealized gain (loss) on available-for-sale financial assets	**9**	(3)
Reclassification of loss (gain) on available-for-sale financial assets to net earnings	**12**	(11)
	21	(14)
Net (loss) gain on derivatives designated as cash flow hedges	**(9)**	4
Reclassification of (gain) loss on derivatives designated as cash flow hedges to net earnings	**(13)**	11
	(22)	15
Other comprehensive (loss) income	**(1)**	1
Total Comprehensive Income	**$ 61**	$ 55

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

Consolidated Balance Sheets

($ millions)	As at March 22, 2008 (unaudited)	As at March 24, 2007 (unaudited)	As at December 29, 2007 (audited)
Assets			
Current Assets			
Cash and cash equivalents (note 7)	**$ 574**	$ 322	$ 430
Short term investments	**57**	272	225
Accounts receivable (notes 8 and 9)	**840**	578	885
Inventories (notes 2 and 10)	**1,912**	1,964	2,032
Income taxes	**172**	89	111
Future income taxes	**58**	106	56
Prepaid expenses and other assets	**34**	47	32
Total Current Assets	**3,647**	3,378	3,771
Fixed Assets	**7,943**	8,053	7,953
Goodwill	**807**	793	806
Other Assets	**1,139**	1,060	1,144
Total Assets	**$ 13,536**	$ 13,284	$ 13,674
Liabilities			
Current Liabilities			
Bank indebtedness	**$ 97**	$ 97	$ 3
Commercial paper	**8**	756	418
Short term debt (note 12)	**728**	–	–
Accounts payable and accrued liabilities	**2,231**	2,113	2,769
Long term debt due within one year	**560**	36	432
Total Current Liabilities	**3,624**	3,002	3,622
Long Term Debt	**3,733**	4,241	3,852
Future Income Taxes	**171**	229	180
Other Liabilities	**487**	363	459
Minority Interest	**14**	10	16
Total Liabilities	**8,029**	7,845	8,129
Shareholders' Equity			
Common Share Capital (note 13)	**1,196**	1,196	1,196
Retained Earnings	**4,293**	4,226	4,330
Accumulated Other Comprehensive Income (note 14)	**18**	17	19
Total Shareholders' Equity	**5,507**	5,439	5,545
Total Liabilities and Shareholders' Equity	**$ 13,536**	$ 13,284	$ 13,674

Contingencies, commitments and guarantees (note 18).

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

Consolidated Cash Flow Statements
(unaudited)

For the periods ended March 22, 2008 and March 24, 2007 ($ millions)	**2008** **(12 weeks)**	2007 (12 weeks)
Operating Activities		
Net earnings before minority interest	**$ 61**	$ 52
Depreciation and amortization	**136**	136
Restructuring charges (note 3)	**3**	89
Future income taxes	**(9)**	(19)
Change in non-cash working capital	**(560)**	(535)
Other	**47**	32
Cash Flows used in Operating Activities	**(322)**	(245)
Investing Activities		
Fixed asset purchases	**(113)**	(93)
Short term investments	**189**	(166)
Proceeds from fixed asset sales	**10**	7
Credit card receivables, after securitization (note 8)	**74**	144
Franchise investments and other receivables	**(18)**	(6)
Other	**(41)**	(30)
Cash Flows from (used in) Investing Activities	**101**	(144)
Financing Activities		
Bank indebtedness	**94**	96
Commercial paper	**(410)**	109
Short term debt (note 12)	**728**	–
Long term debt		
Issued	**5**	7
Retired	**(13)**	(11)
Dividends	**(58)**	(58)
Cash Flows from Financing Activities	**346**	143
Effect of foreign currency exchange rate changes on cash and cash equivalents	**19**	–
Change in Cash and Cash Equivalents	**144**	(246)
Cash and Cash Equivalents, Beginning of Period	**430**	568
Cash and Cash Equivalents, End of Period	**$ 574**	$ 322

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

Notes to the Unaudited Interim Period Consolidated Financial Statements

($ millions except where otherwise indicated)

Note 1. Summary of Significant Accounting Principles

Basis of Presentation The unaudited interim period consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods of application as those used in the preparation of the audited annual consolidated financial statements for the year ended December 29, 2007 ("Annual Report") except as described in note 2. Under Canadian GAAP, additional disclosure is required in annual financial statements and accordingly the unaudited interim period consolidated financial statements should be read together with the audited annual consolidated financial statements and the accompanying notes included in the Loblaw Companies Limited 2007 Annual Report.

Basis of Consolidation The consolidated financial statements include the accounts of Loblaw Companies Limited and its subsidiaries, collectively referred to as the "Company" or "Loblaw". The Company's interest in the voting share capital of its subsidiaries is 100%.

The Company also consolidates variable interest entities ("VIEs") pursuant to Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG 15"), that are subject to control by Loblaw on a basis other than through ownership of a majority of voting interest. AcG 15 defines a variable interest entity as an entity that either does not have sufficient equity at risk to finance its activities without subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. AcG 15 requires the primary beneficiary to consolidate VIEs and considers an entity to be the primary beneficiary of a VIE if it holds variable interests that expose it to a majority of the VIE's expected losses or that entitle it to receive a majority of the VIE's expected residual returns or both.

Use of Estimates and Assumptions The preparation of the unaudited interim period consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the unaudited interim period consolidated financial statements and accompanying notes. These estimates and assumptions are based on management's historical experience, best knowledge of current events and conditions and activities that may be undertaken in the future. Actual results could differ from these estimates.

Certain estimates, such as those related to valuation of inventories, goodwill, income taxes, Goods and Services Tax and provincial sales taxes, fixed assets and employee future benefits, depend upon subjective or complex judgments about matters that may be uncertain, and changes in those estimates could materially impact the consolidated financial statements.

Future Accounting Standards

Goodwill and Intangible Assets In November 2007, the CICA issued amendments to Section 1000 "Financial Statement Concepts," and AcG 11 "Enterprises in the Development Stage," issued a new Handbook Section 3064 "Goodwill and Intangible Assets" ("Section 3064") to replace Section 3062 "Goodwill and Other Intangible Assets", withdrew Section 3450 "Research and Development Costs" and amended Emerging Issues Committee Abstract 27 "Revenues and Expenditures During the Pre-operating Period" to not apply to entities that have adopted Section 3064. These amendments provide guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The amendments are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008 and therefore the Company will implement them in the first quarter of 2009, retroactively with restatement of the comparative periods for the current and prior year. The impact of implementing these amendments on the Company's financial statements is currently being assessed.

International Financial Reporting Standards ("IFRS") The Canadian Accounting Standards Board will require all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The convergence from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of 2011 when the Company will prepare both the current and comparative financial information using IFRS. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems. The Company will assess the impact of the transition to IFRS and will continue to invest in training and resources throughout the transition period to facilitate a timely conversion.

Note 2. Implementation of New Accounting Standards

Accounting Standards Implemented in 2008

Capital Disclosures and Financial Instruments – Disclosure and Presentation In December 2006, the Canadian Institute of Chartered Accountants ("CICA") issued three new accounting standards: Section 1535 "Capital Disclosures" ("Section 1535"), Section 3862 "Financial Instruments − Disclosures" ("Section 3862") and Section 3863 "Financial Instruments − Presentation" ("Section 3863").

Section 1535 establishes guidelines for the disclosure of information regarding a company's capital and how it is managed. The standard requires enhanced disclosures with respect to (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; and (iii) whether the entity has complied with any external capital requirements, and if it has not complied, the consequences of such non-compliance. For new disclosures refer to note 13. The adoption of Section 1535 did not have an impact on the Company's financial results or position.

Section 3862 and Section 3863 replaced Section 3861, "Financial Instruments – Disclosure and Presentation". Section 3862 requires increased disclosures regarding the risks associated with financial instruments such as credit risk, liquidity risk and market risks and the techniques used to identify, monitor and manage these risks. Section 3863 carries forward standards for presentation of financial instruments and non-financial derivatives and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity. For new disclosures refer to notes 15 and 17. Comparative information about the nature and extent of risks arising from financial instruments is not required in the year Section 3862 is adopted. The adoption of Section 3862 and Section 3863 did not have an impact on the Company's financial results or position.

Inventories Effective January 1, 2008, the Company implemented Section 3031 "Inventories" ("Section 3031"), issued by the CICA in June 2007, which replaces Section 3030 of the same title. Section 3031 requires inventories to be measured at the lower of cost and net realizable value. Costs such as storage costs and administrative overhead that do not contribute to bringing inventories to their present location and condition are specifically excluded from the cost of inventories and expensed in the period incurred. Reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories is now required. The cost of inventories should be based on a first-in, first-out or weighted average cost formula. Techniques used for the measurement of cost of inventories, such as the retail method, may be used if the results approximate cost. The new standard also requires additional disclosures including the accounting policies used in measuring inventories, the carrying amounts of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of any write-downs recognized as a reduction in expenses.

The Company values merchandise inventories at the lower of cost and net realizable value. Costs include the cost of purchase net of vendor allowances and other costs, such as transportation, that are directly incurred to bring inventories to their present location and condition. Seasonal general merchandise and inventories at the distribution centres are measured at weighted average cost. The Company uses the retail method to measure the cost of certain retail store inventories. The Company estimates net realizable value as the amount that inventories are expected to be sold taking into consideration fluctuations of retail price due to seasonality less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in retail selling price, the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead and certain selling costs related to inventories are expensed in the period these costs are incurred.

The transitional adjustments resulting from the implementation of Section 3031 are recognized in the 2008 opening balance of retained earnings and prior periods have not been restated. Upon implementation of these requirements, a decrease in opening inventories of $65, an increase in current income taxes receivable of $24 and a decrease of $41 to opening retained earnings were recorded on the consolidated balance sheet resulting from the application of a consistent cost formula for all inventories having a similar nature and use to the Company.

In addition to the disclosure of accounting policies used in measuring inventories, Section 3031 also requires additional disclosures. See note 10 for the amount of merchandise inventories recognized as an expense in the period, the amount of inventories written down below cost and the amount of any reversal of any previously recognized write-downs.

Accounting Standards Implemented in 2007

On December 31, 2006, the Company implemented the CICA Handbook Section 3855, “Financial Instruments − Recognition and Measurement”, Section 3865, “Hedges”, Section 1530, “Comprehensive Income”, Section 3251, “Equity” and Section 3861, “Financial Instruments − Disclosure and Presentation”. These standards were applied without restatement of prior periods. All transitional adjustments resulting from these standards resulted in a decrease in retained earnings, net of income taxes and minority interest of $15 million and an increase in accumulated other comprehensive loss, net of income taxes and minority interest of $16 million in 2007 as more fully described in note 2 of the audited annual consolidated financial statements for the year ended December 29, 2007.

Note 3. Restructuring Charges

Project Simplify

During 2007, the Company approved and announced the restructuring of its merchandising and store operations into more streamlined functions as part of Project Simplify. In the first quarter of 2008, the Company recognized $3 (2007 − $75) of restructuring costs resulting from this plan, comprised of $2 (2007 − $58) for employee termination benefits including severance, additional pension costs resulting from the termination of employees and retention costs; and $1 (2007 − $17) of other costs, primarily consulting directly associated with the restructuring. Cash payments in the first quarter of 2008 were $17 (2007 − $30). As at the end of the first quarter of 2008, a remaining liability of $20 (2007 − $45) was recorded on the consolidated balance sheets in respect of this initiative.

Store Operations

During 2007, the Company completed the previously announced restructuring of its store operations. Cash payments in the first quarter of 2008 were nil (2007 − $9). In the first quarter of 2008, the Company recognized income of $1 (2007 − charge of $14) related to this plan. As at the end of the first quarter of 2008, a remaining liability of $3 (2007 − $14) was recorded on the consolidated balance sheets in respect of this initiative.

Supply Chain Network

During 2005, the Company approved a comprehensive plan to restructure its supply chain operations nationally. The restructuring plan is expected to be completed in 2009 and the total restructuring costs under this plan are estimated to be approximately $90. Of this total, approximately $57 is attributable to employee termination benefits, which include severance and additional pension costs resulting from the termination of employees, $13 is attributable to fixed asset impairment and accelerated depreciation of assets relating to this restructuring activity and $20 is attributable to site closing and other costs directly related to the restructuring plan. In the first quarter of 2008, the Company recognized $1 (2007 – nil) of restructuring costs resulting from this plan which is composed of $1 (2007 – nil) for employee termination benefits resulting from planned involuntary terminations. At the end of the first quarter of 2008, $10 in estimated costs remained to be incurred and will be recognized as appropriate criteria are met. Cash payments in the first quarter of 2008 were $1 (2007 − $1). As at the end of the first quarter of 2008, a remaining liability of $33 (2007 − $24) was recorded on the consolidated balance sheets in respect of this initiative.

Note 4. Interest Expense

($ millions)	**2008 (12 weeks)**	2007 (12 weeks)
Interest on long term debt	**$ 66**	$ 66
Interest on financial derivative instruments	**(1)**	3
Net short term interest income	**(2)**	(4)
Capitalized to fixed assets	**(5)**	(6)
Interest expense	**$ 58**	$ 59

During 2008, net interest expense of $61 was recorded related to the financial assets and financial liabilities not classified as held-for-trading.

Interest paid in the first quarter of 2008 was $103 (2007 – $95), and interest received was $45 (2007 − $31).

Note 5. Income Taxes

The effective income tax rate in the first quarter of 2008 increased to 37.1%, compared to 30.7% in the first quarter of 2007, primarily due to an increase in income tax accruals relating to certain income tax matters and a change in the proportion of taxable income earned across different tax jurisdictions. Net income taxes paid in the first quarter were $84 (2007 – $67).

Note 6. Basic and Diluted Net Earnings per Common Share

	2008 (12 weeks)	2007 (12 weeks)
Net earnings ($ millions)	**$ 62**	$ 54
Weighted average common shares outstanding (in millions)	**274.2**	274.2
Dilutive effect of stock-based compensation (in millions)	**–**	–
Diluted weighted average common shares outstanding (in millions)	**274.2**	274.2
Basic and diluted net earnings per common share ($)	**$ 0.23**	$ 0.20

Stock options outstanding with an exercise price greater than the market price of the Company's common shares at the end of the first quarter were not recognized in the computation of diluted net earnings per common share. Accordingly, for the first quarter of 2008, 9,572,128 (2007 – 7,295,231) stock options, with a weighted average exercise price of $44.19 (2007 – $54.16) per common share, were excluded from the computation of diluted net earnings per common share.

Note 7. Cash and Cash Equivalents

The components of cash and cash equivalents as at March 22, 2008, March 24, 2007 and December 29, 2007 were as follows:

	2008 (as at March 22, 2008)	2007 (as at March 24,2007)	2007 (as at December 29, 2007)
Cash	**$ 48**	$ 21	$ 61
Cash equivalents − short term investments with a maturity of 90 days or less:			
Bank term deposits	**171**	3	77
Government treasury bills	**118**	15	109
Government-sponsored debt securities	**91**	138	59
Corporate commercial paper	**146**	90	124
Bank-sponsored asset-backed commercial paper	**–**	55	–
Cash and cash equivalents	**$ 574**	$ 322	$ 430

In the first quarter of 2008, the Company recognized an unrealized foreign currency exchange gain of $33 (2007 − loss of a nominal amount) as a result of translating its United States dollar denominated cash and cash equivalents, short term investments and security deposits which are included in other assets, of which a gain of $19 (2007 − nominal loss) related to cash and cash equivalents. The resulting gain or loss on cash and cash equivalents, short term investments and security deposits which are included in other assets is partially offset in operating income and accumulated other comprehensive income by the unrealized foreign currency exchange loss or gain on the cross currency basis swaps.

Note 8. Accounts Receivable

During the first quarter nil (2007 – $40) of credit card receivables were securitized by *President's Choice* Bank ("*PC* Bank"), a wholly owned subsidiary of the Company, through the sale of a portion of the total interest in these receivables to independent trusts. The securitization yielded nil (2007 – nominal net gain) based on the assumptions disclosed in note 10 of the consolidated financial statements for the year ended December 29, 2007. The independent trust's recourse to *PC* Bank's assets is limited to *PC* Bank's retained interests and is further supported by the Company through a standby letter of credit for $89 (2007 – $72) on a portion of the securitized amount. Other receivables consist mainly of receivables from independent franchisees, associated stores and independent accounts.

($ millions)	**2008 (as at March 22, 2008)**	2007 (as at March 24, 2007)	2007 (as at December 29, 2007)
Credit card receivables	**$ 1,947**	$ 1,465	$ 2,023
Amount securitized	**(1,475)**	(1,290)	(1,475)
Net credit card receivables	**472**	175	548
Other receivables	**368**	403	337
Accounts receivable	**$ 840**	$ 578	$ 885

Credit card receivables that are past due of $11 as at March 22, 2008 are not classified as impaired as they are less than 90 days past due and most receivables are reasonably expected to remedy the past due status. Any credit card receivable balances with a payment that is contractually 180 days in arrears or where the likelihood of collection is considered remote is written-off. Concentration of credit risk with respect to receivables is limited due to the Company's customer base being diverse. Credit risk on the credit card receivables is managed as described in note 22 of the Company's 2007 Annual Report. Other receivables that are past due but not impaired totaled $64 as at March 22, 2008, of which a nominal amount were more than 60 days past due.

Note 9. Allowances for Receivables

The allowance for credit card receivables recorded in the consolidated balance sheets is maintained at a level which is considered adequate to absorb credit related losses on credit card receivables. The allowance for credit card losses is recorded in accounts receivables in the consolidated balance sheets. The allowance for accounts receivables from independent franchisees is recorded in accounts payable and accrued liabilities on the consolidated balance sheets. The allowance for other receivables from associated stores and independent accounts is recorded in accounts receivable on the consolidated balance sheets**.** A continuity of the Company's allowances for losses is as follows:

	Credit Card Receivables			Other Receivables		
($ millions)	**2008 (12 weeks ended March 22, 2008)**	2007 (12 weeks ended March 24, 2007)	2007 (52 weeks ended December 29, 2007)	**2008 (12 weeks ended March 22, 2008)**	2007 (12 weeks ended March 24, 2007)	2007 (52 weeks ended December 29, 2007)
Allowance at beginning of period	**$ (13)**	$ (11)	$ (11)	**$ (35)**	$ (37)	$ (37)
Provision for losses	**(2)**	(3)	(11)	**(8)**	(16)	(79)
Recoveries	**(2)**	(2)	(7)	**–**	–	–
Write-offs	**4**	4	16	**12**	14	81
Allowance at end of period	**$ (13)**	$ (12)	$ (13)	**$ (31)**	$ (39)	$ (35)

Note 10. Inventories

The cost of merchandise inventories recognized as an expense during the first quarter of 2008 was $5,037, which includes $18 of sales of inventory below cost that was recognized as an expense.

The cost of merchandise inventories recognized as an expense includes $11 for the write-down of inventories below cost to net realizable value. There was no reversal of inventories written down previously that are no longer estimated to sell below cost.

Note 11. Employee Future Benefits

The Company's total net benefit plan cost recognized in operating income was $39 (2007 – $41) for the first quarter. The total net benefit plan cost included costs for the Company's defined benefit pension and other benefit plans, defined contribution pension plans and multi-employer pension plans.

Note 12. Short Term Debt

In the first quarter of 2008, the Company entered into an $800, 5-year committed credit facility provided by a syndicate of banks which is subject to certain financial covenants**.** This facility is the primary source of the Company's short term funding requirements and permits borrowings having up to a 180-day term that accrue interest based on short term floating interest rates**.** This facility replaced a $500, 364-day committed credit facility which had no financial covenants and permitted borrowings having up to a 180-day term that accrued interest based on short term floating interest rates that was terminated when the 5-year committed credit facility was completed. As at March 22, 2008, $728 was drawn on the new 5-year committed credit facility.

Note 13. Capital Management

The Company defines capital as net debt and shareholders' equity. The Company's objectives when managing capital are to:

- ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans;
- maintain financial capacity and access to capital to support future development of the business;
- minimize the cost of its capital while taking into consideration current and future industry, market and economic risks and conditions; and
- utilize short term funding sources to manage its working capital requirements and long term funding sources to match the long term nature of the fixed assets of the business.

The following ratios are used by the Company to monitor its capital:

	2008 (as at March 22, 2008)	2007 (as at March 24, 2007)	2007 (as at December 29, 2007)
Interest coverage	**2.5:1**	2.1:1	2.7:1
Net debt to equity	**.75:1**	.77:1	.67:1

Interest coverage is calculated as operating income divided by interest expense adding back interest capitalized to fixed assets. The interest coverage ratio is calculated for the 12 week periods ended March 22, 2008 and March 24, 2007, and for the 52 week period ended December 29, 2007. The Company manages debt on a net basis as outlined below. The net debt to equity ratio continued to be within the Company's internal guideline of less than 1:1. This ratio is useful in assessing the amount of leverage employed.

Debt

The following table details the net debt calculation used in the net debt to equity ratio as at the periods ended as indicated:

($ millions)	**2008 (as at March 22, 2008)**	2007 (as at March 24, 2007)	2007 (as at December 29, 2007)
Bank indebtedness	**$ 97**	$ 97	$ 3
Commercial paper	**8**	756	418
Short term debt	**728**	–	–
Long term debt due within one year	**560**	36	432
Long term debt	**3,733**	4,241	3,852
Less: Cash and cash equivalents	**574**	322	430
Short term investments	**57**	272	225
Security deposits included in other assets	**345**	341	322
Net debt	**$ 4,150**	$ 4,195	$ 3,728

Security deposits are included in other assets on the consolidated balance sheets and total $345 as at March 22, 2008, $341 as at March 24, 2007 and $322 as at December 29, 2007. These security deposits represent short term investments in government securities which Glenhuron Bank Limited ("Glenhuron"), a wholly owned subsidiary of the Company, is required to place with counterparties as collateral to maintain outstanding swap and equity forward portfolios. The amount of the required security deposits will fluctuate given the volatility of the market value of the swap portfolio.

The Company monitors its credit rating as part of its goal to maintain access to capital markets for its liquidity requirements. The Company's ability to obtain funding from external sources may be restricted by downgrades in the Company's credit rating and should the Company's financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect the Company's access and ability to fund its short term and long term debt requirements. The Company mitigates these risks by actively maintaining appropriate levels of cash and cash equivalents and short term investments, actively monitoring market conditions and diversifying its capital sources and maturity profile. The Company also employs risk management strategies including forward-looking liquidity contingency plans.

Subsequent to the first quarter of 2008, the Company filed a Preliminary Short Form Base Shelf Prospectus ("Prospectus") allowing for the issue of up to $1 billion of unsecured debentures and/or preferred shares. No such securities have been issued under this Prospectus as at April 29, 2008.

Share capital
The Company's outstanding share capital is comprised of Common Shares. At the end of the first quarter of 2008, an unlimited number of common shares were authorized and 274,173,564 (2007 − 274,173,564) common shares were issued and outstanding. Approximately 62% of the Common Shares are owned by George Weston Limited; the remaining shares are widely held. Further information on the Company's outstanding share capital is provided in note 19 to the consolidated financial statements for the year ended December 29, 2007.

At quarter end, a total of 9,572,128 stock options were outstanding and represented 3.5% of the Company's issued and outstanding share capital. Pursuant to guidelines set by the Company, stock option compensation is limited to 5% of the issued and outstanding common shares outstanding. The Company is currently in compliance with this internal guideline.

Subsequent to the first quarter of 2008, Loblaw renewed its Normal Course Issuer Bid ("NCIB") to purchase on the Toronto Stock Exchange, or enter into equity derivatives to purchase, up to 13,708,678 of Company's common shares, representing approximately 5% of the common shares outstanding. In accordance with the rules and by-laws of the Toronto Stock Exchange, Loblaw may purchase its shares at the then market price of such shares. The Company did not purchase any shares under its NCIB during the first quarter of 2008 or fiscal 2007.

Dividends ($)
The declaration and payment of dividends and the amount thereof are at the discretion of the Board. Over the long term, the Company's objective is for its common dividend payment ratio to be in the range of 20% to 25% of the prior year's basic net earnings per common share adjusted as appropriate for items which are not regarded to be reflective of ongoing operations giving consideration to the year end cash position, future cash flow requirements and investment opportunities. During the quarter, the Board declared quarterly dividends of $0.21 (2007– $0.21) per common share.

Covenants and Regulatory Requirements
The committed credit facility which the Company entered into during the first quarter of 2008 is subject to certain financial covenants (see note 12). The covenants include an interest coverage ratio as well as leverage ratio which the Company submits to the syndicate of banks on a quarterly basis. As at the end of the first quarter of 2008, the Company was in compliance with these covenants.

The Company is also subject to externally imposed capital requirements from the Office of the Superintendent of Financial Institutions ("OSFI"), as the primary regulator of *PC* Bank, and the Central Bank of Barbados, as the primary regulator of Glenhuron, both wholly-owned subsidiaries of the Company. *PC* Bank's capital management objectives are to maintain a consistently strong capital position while considering the Bank's economic risks and to meet all regulatory capital requirements as defined by OSFI. A new regulatory capital management framework, Basel II, has been implemented in Canada. *PC* Bank is therefore currently regulated under Basel II, a framework that establishes regulatory capital requirements that are more sensitive to a bank's risk profile. *PC* Bank met all applicable capital targets as at the end of the first quarter of 2008. Glenhuron is currently regulated under Basel I. Under Basel I, Glenhuron's assets are risk weighted and the minimum ratio of capital to risk weighted assets is 8.0%. Glenhuron's ratio of capital to risk weighted assets exceeded the minimum requirements under Basel I as at the end of the first quarter of 2008.

Note 14. Accumulated Other Comprehensive Income

The following table provides further detail regarding the composition of accumulated other comprehensive income for the twelve week periods ended March 22, 2008 and March 24, 2007:

($ millions)	**2008 (as at March 22, 2008)**			2007 (as at March 24, 2007)		
	Cash Flow Hedges	**Available-for-sale Assets**	**Total**	Cash Flow Hedges	Available-for-sale Assets	Total
Balance, beginning of period	**$ 22**	**$ (3)**	**$ 19**	$ –	$ –	$ –
Cumulative impact of implementing new accounting standards [net of income taxes of nil (2007 – $1)]	**–**	**–**	**–**	(4)	20	16
Net unrealized gain (loss) on available-for-sale financial assets [net of income taxes of nil (2007 – nil)]	**–**	**9**	**9**	–	(3)	(3)
Reclassification of loss (gain) on available-for-sale financial assets [net of income taxes of nil (2007 – nil)]	**–**	**12**	**12**	–	(11)	(11)
Net (loss) gain on derivatives designated as cash flow hedges [net of income taxes of nil (2007 – nil)]	**(9)**	**–**	**(9)**	4	–	4
Reclassification of (gain) loss on derivatives designated as cash flow hedges [net of income taxes of nil (2007 – nil)]	**(13)**	**–**	**(13)**	11	–	11
Balance, end of period	**$ –**	**$ 18**	**$ 18**	$ 11	$ 6	$ 17

See note 20 of the Company's 2007 Annual Report for futher details regarding the composition of accumulated other comprehensive income for the year ended December 29, 2007.

An estimated net loss of $1 recorded in accumulated other comprehensive income related to the cash flow hedges as at March 22, 2008, is expected to be reclassified to net earnings during the next 12 months. This will be offset by the estimated loss on available-for-sale financial assets that are hedged. Remaining amounts will be reclassified to net earnings over periods up to 4 years.

Note 15. Fair Values of Financial Instruments

The following table provides a comparison of carrying and fair values for each classification of financial instruments as at March 22, 2008, March 24, 2007 and December 29, 2007:

As at March 22, 2008

	Financial Derivatives Designated in a Cash Flow Hedge	Financial Instruments required to be classified as held-for-trading	Financial Instruments designated as held-for-trading	Available-for-sale instruments measured at fair value	Loans and receivables	Other liabilities	Total carrying amount	Total fair value
Cash and cash equivalents, short term investments and security deposits	$ –	$ –	$ 562	$ 414	$ –	$ –	$ 976	$ 976
Accounts receivable	–	–	–	–	840	–	840	840
Other financial assets	–	–	–	–	81	–	81	81
Available for sale securities	–	–	–	16	–	–	16	16
Derivatives	173	119	–	–	–	–	292	292
Total financial assets	$ 173	$ 119	$ 562	$ 430	$ 921	$ –	$ 2,205	$ 2,205
Short term borrowings	$ –	$ –	$ –	$ –	$ –	$ 833	$ 833	$ 833
Long term debt	–	–	–	–	–	4,293	4,293	4,011
Derivatives	–	154	–	–	–	–	154	154
Total financial liabilities	$ –	$ 154	$ –	$ –	$ –	$ 5,126	$ 5,280	$ 4,998

The equity investment in franchises is measured at cost of $135 because there is no quoted market prices in an active market and these investments are classified as available-for-sale. The Company has no intention of disposing of these equity investments.

As at March 24, 2007

	Financial Derivatives Designated in a Cash Flow Hedge	Financial Instruments required to be classified as held-for-trading	Financial Instruments designated as held-for-trading	Available-for-sale instruments measured at fair value	Loans and receivables	Other liabilities	Total carrying amount	Total fair value
Cash and cash equivalents, short term investments and security deposits	$ –	$ –	$ 396	$ 539	$ –	$ –	$ 935	$ 935
Accounts receivable	–	–	–	–	578	–	578	578
Other financial assets	–	–	–	–	37	–	37	37
Available for sale securities	–	–	–	9	–	–	9	9
Derivatives	98	55	–	–	–	–	153	153
Total financial assets	$ 98	$ 55	$ 396	$ 548	$ 615	$ –	$ 1,712	$ 1,712
Short term borrowings	$ –	$ –	$ –	$ –	$ –	$ 853	$ 853	$ 853
Long term debt	–	–	–	–	–	4,277	4,277	4,683
Derivatives	–	25	–	–	–	–	25	25
Total financial liabilities	$ –	$ 25	$ –	$ –	$ –	$ 5,130	$ 5,155	$ 5,561

The equity investment in franchises is measured at cost of $138 because there is no quoted market prices in an active market and these investments are classified as available-for-sale. The Company has no intention of disposing these equity investments.

As at December 29, 2007

	Financial Derivatives Designated in a Cash Flow Hedge	Financial Instruments required to be classified as held-for-trading	Financial Instruments designated as held-for-trading	Available-for-sale instruments measured at fair value	Loans and receivables	Other liabilities	Total carrying amount	Total fair value
Cash and cash equivalents, short term investments and security deposits	$ –	$ –	$ 533	$ 444	$ –	$ –	$ 977	$ 977
Accounts receivable	–	–	–	–	885	–	885	885
Other financial assets	–	–	–	–	75	–	75	75
Available for sale securities	–	–	–	16	–	–	16	16
Derivatives	184	101	–	–	–	–	285	285
Total financial assets	$ 184	$ 101	$ 533	$ 460	$ 960	$ –	$ 2,238	$ 2,238
Short term borrowings	$ –	$ –	$ –	$ –	$ –	$ 421	$ 421	$ 421
Long term debt	–	–	–	–	–	4,284	4,284	4,216
Derivatives	–	120	–	–	–	–	120	120
Total financial liabilities	$ –	$ 120	$ –	$ –	$ –	$ 4,705	$ 4,825	$ 4,757

The equity investment in franchises is measured at cost of $134 because there is no quoted market prices in an active market and these investments are classified as available-for-sale. The Company has no intention of disposing these equity investments.

The following table summarized the change in fair value of financial assets and financial liabilities, including non-financial derivatives, classified as held-for-trading, recognized in net earnings.

	March 22, 2008		March 24, 2007	
	Designated as held-for-trading	Required to be classified as held-for-trading	Designated as held-for-trading	Required to be classified as held-for-trading
Cash equivalents, short term investments and security deposits	$ (20)	$ –	$ –	$ –
Retained interest	(1)	–	1	–
Electricity forward	–	(2)	–	(3)
Interest rate swaps	–	6	–	–
Cross currency basis swaps	–	18	–	–
Equity forwards associated with stock-based compensation	–	28	–	13
Embedded currency and commodity derivatives	–	3	–	–
Fair value loss (gain)	$ (21)	$ 53	$ 1	$ 10

Note 16. Stock-Based Compensation ($, except where otherwise indicated)

The Company's compensation cost recognized in operating income related to its stock option plan and the associated equity forwards and the restricted share unit plan was as follows:

($ millions)	2008 (12 weeks)	2007 (12 weeks)
Equity forwards loss	$ 25	$ 10
Restricted share unit plan expense	–	2
Net stock-based compensation cost	$ 25	$ 12

Stock Option Plan During the first quarter of 2008, the Company paid the share appreciation value of nil (2007 – a nominal amount) on the exercise of nil (2007 – 102,000) stock options. In addition, 264,185 (2007 – 525,614) stock options were forfeited or cancelled. Under its existing stock option plan, which allows for settlement in shares or in the share appreciation value in cash at the option of the employee, the Company granted 3,303,557 (2007 – 3,885,439) stock options with an exercise price of $28.95 (2007 − $47.44) per common share during the first quarter of 2008.

At the end of the first quarter, a total of 9,572,128 (2007 – 7,342,471) stock options were outstanding and represented approximately 3.5% (2007 – 2.7%) of the Company's issued and outstanding common shares, which was within the Company's guideline of 5%. The Company's market price per common share at the end of the first quarter was $28.82 (2007 – $46.80).

Restricted Share Unit ("RSU") Plan Under its existing RSU plan, the Company granted 352,268 RSUs (2007 − 281,820) to 316 (2007 − 289) employees in the first quarter. In addition, 20,163 (2007 – 57,691) RSUs were cancelled and 200,779 (2007 – 54,357) were paid out in the amount of $7 million (2007 – $3 million). At the end of the first quarter, 900,013 (2007 – 919,724) RSUs remain outstanding.

Note 17. Financial Risk Management

The Company is exposed to the following risks as a result of holding financial instruments: credit risk, market risk and liquidity risk. The following is a description of those risks and how the exposures are managed:

Credit Risk The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations, or if there is a concentration of transactions carried out with the same counterparty or of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. Exposure to credit risk relates to derivative instruments, cash equivalents and short term investments, *PC* Bank's credit card receivables and accounts receivables from independent franchisees, associates and independent accounts.

The Company may be exposed to losses if a counterparty to the Company's financial or non-financial derivative agreements fails to fulfill its obligations. The Company's risk management practices are more fully described in note 22 of the Company's 2007 Annual Report.

The Company's maximum exposure to credit risk as it relates to derivative instruments is represented by the fair market value of the derivatives on the balance sheet (see note 15).

Refer to note 9 for additional information on the credit quality performance of credit card and accounts receivable from independent franchisees, associated stores and independent accounts.

Market Risk Market risk is the loss that may arise from changes in market factors such as interest rates, foreign currency exchange rates, commodity prices and common share price.

Interest Rate Risk The Company is exposed to interest rate risk which it manages through the use of interest rate swaps. Loblaw's interest rate risk arises from the issuance of medium term notes, short term debt and commercial paper net of its cash and cash equivalents, short term investments and security deposits. The Company manages fluctuations in its interest expense through its exposure to a mix of fixed and variable interest rates. The Company estimates that a 100 basis point increase (decrease) in interest rates, with all other variables held constant, would result in an increase (decrease) of $13 to interest expense.

Foreign Currency Exchange Rate Risk The Company is exposed to foreign currency exchange rate variability, primarily on its United States dollar denominated cash and cash equivalents, short term investments and security deposits. To manage its foreign currency exchange rate exposure, the Company enters into cross currency basis swaps. As a result, a significant strengthening (weakening) of the Canadian dollar against the US dollar, with all other variables held constant, would have no significant impact on net earnings before income taxes and minority interest.

Commodity Price Risk The Company is exposed to increases in the prices of commodities indirectly linked with its consumer products. To manage this exposure, the Company uses purchase commitments for a portion of its needs for certain consumer products that may be commodities based and the Company expects to take delivery of these consumer products in the normal course of business. A non-financial derivative contract with a notional value of $31 is used to hedge electricity price risk for a portion of the Company's expected electricity consumption in Alberta. In addition, the Company uses an insignificant amount of exchange traded futures and options. The Company estimates that a 10% increase (decrease) of relevant commodity prices, with all other variables held constant, would result in a gain (loss) of $4 on earnings before income taxes and minority interest.

Common Share Price Risk The Company enters into equity forwards to manage its exposure to fluctuations in its stock-based compensation cost as a result of changes in the market price of its common shares. The equity forwards allow for settlement in cash, common shares or net settlement. These forwards change in value as the market price of the Company's common shares changes and provide a partial offset to fluctuations in Loblaw's stock-based compensation cost, including RSU plan expense. The partial offset between the Company's stock-based compensation costs, including RSU plan expense, and the equity forwards is effective when the market price of the Company's common shares exceeds the exercise price of the related employee stock options. When the market price of the common shares is lower than the excise price of the related employee stock options, only RSUs will provide a partial offset to these equity forwards. The amount of net stock-based compensation cost recorded in operating income is mainly dependent upon the number of unexercised stock options and RSUs and their vesting schedules relative to the number of underlying common shares on the equity forwards and the level of and fluctuations in the market price of the underlying common shares.

Liquidity Risk Liquidity risk is the risk that the Company cannot meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price. The Company meets liquidity requirements by holding assets that can be readily converted into cash, and by managing cash flows.

The Company's ability to obtain funding from external sources may be restricted by further downgrades in the Company's credit ratings and should the Company's financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect the Company's access and ability to fund its short term and long term debt requirements. The conditions and diversifying its sources of funding and maturity profile. The Company also employs risk management strategies including forward-looking liquidity contingency plans.

Maturity Analysis The maturity analysis of significant financial liabilities as at March 22, 2008 are as follows:

	2008 Remaining	2009	2010	2011	2012	Thereafter	Total
Interest rate swaps payable(1)	$ 13	$ 13	$ 13	$ 13	$ 5	$ –	$ 57
Equity forward contracts(2)	–	–	125	36	26	71	258
Long term debt including fixed interest payments(3)	598	389	546	585	232	6,377	8,727
	$ 611	$ 402	$ 684	$ 634	$ 263	$ 6,448	$ 9,042

(1) Based on the pay fixed interest which will be partially offset by the floating interest received.
(2) Based on the average cost base as of March 22, 2008.
(3) Based on the maturing face values and annual interest for each instrument as well as annual payment obligations for VIEs, mortgages, and capital leases.

The Company's bank indebtedness, commercial paper, short term debt, and accounts payable and accrued liabilities are short term in nature, and as such are all due within the next 12 months, and thus not included above.

Note 18. Contingencies, Commitments and Guarantees

Guarantees − Independent Funding Trust Independent franchisees of the Company may obtain financing through a structure involving independent trusts, which were created to provide loans to the independent franchisees to facilitate their purchase of inventory and fixed assets, consisting mainly of fixtures and equipment. These trusts are administered by a major Canadian chartered bank. The independent funding trust within the structure finances its activities through the issuance of short term asset-backed commercial paper ("ABCP") to third-party investors. The independent funding trust has a global style liquidity agreement from a major Canadian chartered bank in the event that it is unable to issue short term ABCP. The gross principal amount of loans issued to the Company's independent franchisees outstanding as of March 22, 2008 was $402 (2007 − $411) including $165 (2007 − $136) of loans payable by VIEs consolidated by the Company. Based on a formula, the Company has agreed to provide credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trust equal to approximately 10% of the principal amount of the loans outstanding at any point in time, $44 (2007 − $44) as of March 22, 2008. This credit enhancement allows the independent funding trust to provide favorable financing terms to the Company's independent franchisees. As well, each independent franchisee provides security to the independent funding trust for its obligations by way of a general security agreement. In the event that an independent franchisee defaults on its loan and the Company has not, within a specified time period, assumed the loan or the default is not otherwise remedied, the independent funding trust shall assign the loan to the Company and draw upon this standby letter of credit. The Company has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit.

Neither the independent funding trust nor the Company can voluntarily terminate the agreement prior to December 2009, and following that date only upon six months' prior notice. Automatic termination of the agreement can occur only if specific, predetermined events occur and are not remedied within the time periods required including downgrades of the Company below a long term credit rating of "A (low)" or a short term credit rating of "R-1 (low)" as issued by Dominion Bond Rating Service ("DBRS"). On February 7, 2008, DBRS downgraded the Company's long term credit rating to "BBB (high)" from "A (low)" and also lowered the Company's short term credit rating to "R-2 (high)" from "R-1 (low)". Subsequent to the DBRS downgrades, the Company was notified that an Event of Termination of the independent funding trust agreement for the Company's franchisees had occurred as a result of the credit rating downgrades. The $44 (2007 − $44) standby letter of credit provided to the independent funding trust by the Company has not been drawn upon. If such an event were to occur, long term debt in the amount of $135 would need to be reclassified to short term liabilities. This amount relates to certain franchisees that are VIEs that the Company currently consolidates. The Company is currently in the process of securing alternative financing for the independent funding trust with a syndicate of banks in the form of a 364-day committed credit facility for the benefit of its franchisees to address this issue. Any new alternative financing structure, which might be implemented, would need to be reviewed to determine if there are any implications with respect to the consolidation of VIEs. In accordance with Canadian GAAP, the financial statements of the independent funding trust are not consolidated with those of the Company.

Legal Proceedings During the first quarter of 2007, the Company was one of 17 defendants served with an action brought in the Superior Court of Ontario by certain beneficiaries of a multi-employer pension plan in which the Company's employees and those of its independent franchisees participate. In their claim against the employers and the trustees of the multi-employer pension plan, the plaintiffs claim that assets of the multi-employer pension plan have been mismanaged and are seeking, among other demands, damages of $1 billion. The action is framed as a representative action on behalf of all the beneficiaries of the multi-employer pension plan. Subsequent to the first quarter of 2008, the Company received confirmation that the action against the Company has been dismissed, but the action against the trustees is ongoing. One of the trustees, an officer of the Company, may be entitled to indemnification from the Company.

In addition to the claim described above, 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 is uncertain. However, based on information currently available, these claims, individually and in the aggregate, are not expected to have a material impact on the Company.

Note 19. Presentation

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

Corporate Profile

Loblaw Companies Limited ("Loblaw" or the "Company") is Canada's largest food distributor and a leading provider of general merchandise products, drugstore and financial products and services. Through its various operating banners, Loblaw is committed to providing Canadians with a one-stop destination in meeting their food and household needs. This goal is pursued through a portfolio of store formats across the country. Loblaw is known for the quality, innovation and value of its food offering. It also offers Canada's strongest control label program, including the unique *President's Choice*, *no name* and *Joe Fresh Style* brands.

Food is at the heart of its offering. Loblaw stores provide a wide, growing and successful range of products and services to meet the everyday household demands of Canadian consumers. In addition, President's Choice Financial services offer core banking, a popular MasterCard®, PC Financial auto, home, travel and pet insurance, PC Mobile phone services as well as the PC points loyalty program.

Loblaw is committed to a strategy developed under three core themes: Simplify, Innovate and Grow. The Company strives to be consumer focused, cost effective and agile, with the goal of achieving long term growth for its many stakeholders. Loblaw believes that a strong balance sheet is critical to achieving its potential. It is highly selective in its consideration of acquisitions and other business opportunities. The Company maintains an active product development program to support its control label program. It works to ensure that its technology and systems logistics enhance the efficiency of its operations.

Trademarks

Loblaw Companies Limited and its subsidiaries own a number of trademarks. Several subsidiaries are licensees of additional trademarks. These trademarks are the exclusive property of Loblaw Companies Limited or the licensor and where used in this report are in italics.

Investor Relations

Shareholders, security analysts and investment professionals should direct their requests to Inge van den Berg, Vice President, Investor Relations at the Company's National Head Office or by e-mail at investor@loblaw.ca.

Additional information has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval (SEDAR) and with the Office of the Superintendent of Financial Institutions (OSFI) as the primary regulator for the Company's subsidiary, President's Choice Bank. The Company holds an analyst call shortly following the release of its quarterly results. These calls are archived in the Investor Zone section of the Company's website.

Ce rapport est disponible en français.

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Additional Company reports are available online at www.loblaw.ca

For more information about our offerings, visit our websites at:

www.loblaw.ca

www.pc.ca

www.joe.ca

Business Review Report

Provides an update on achievements towards Making Loblaw the Best Again, plus outlines Loblaw's priorities for 2008, 2007 financial highlights, facts and statistics, corporate social responsibility summary, corporate governance practices, and corporate and shareholder information.

February 2008

2007 Annual Report

Contains Loblaw Companies Limited annual financial statements, report to shareholders, auditor's report, and management discussion and analysis.

March 2008

2007 Corporate Social Responsibility Report

Loblaw Companies Limited first Corporate Social Responsibility (CSR) report will outline the environmental and social achievements made in 2007 which support our five business pillars. It will describe the strategy and priorities, primarily for 2008, and how we will use this inaugural year to set long-term objectives.

April 2008

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Making Loblaw the Best Again

Loblaw Companies Limited