Loblaw

COMPANIES LIMITED
LES COMPAGNIES LOBLAW LIMITÉE

NEWS RELEASE

Loblaw Companies Limited Reports 2009 Fourth Quarter and Fiscal Year Ended January 2, 2010 Results.(1)

BRAMPTON, ONTARIO February 17, 2010 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") today announced its unaudited financial results for the fourth quarter and fiscal year ended January 2, 2010 based on management's review of preliminary unaudited results for these periods.

Fourth Quarter and 2009 Fiscal Year Summary

- Fourth quarter 2009 (12 weeks) basic net earnings per common share of $0.60, down 14.3% compared to last year (13 weeks).
- On an equivalent 12 week basis and taking into account the other factors noted within this News Release, operating income, EBITDA(2) and basic net earnings per common share in the fourth quarter of 2009 improved significantly compared to the fourth quarter of 2008.
- Fourth quarter 2009 (12 weeks) sales and same-store sales declined 5.6% and 7.8% respectively. On an equivalent 12 week basis and including the other factors noted within this News Release, sales were flat and same-store sales declined 0.7%.
- Fiscal year 2009 (52 weeks) basic net earnings per common share of $2.39, up 18.9% from last year (53 weeks).
- Fiscal year 2009 (52 weeks) sales and same-store sales declined 0.2% and 1.1% respectively. On an equivalent 52 week basis and including the other factors noted within this News Release, sales and same-store sales increased 1.6% and 0.7%, respectively.
- Fiscal year 2009 (52 weeks) and fourth quarter (12 weeks) EBITDA(2) margin of 5.8% and 5.7%, respectively compared to 5.2% and 5.6% for fiscal year 2008 (53 weeks) and the fourth quarter of 2008 (13 weeks), respectively.

For the periods ended January 2, 2010 and January 3, 2009 ($ millions except where otherwise indicated)	**2009** **(unaudited)** **(12 weeks)**	2008 (unaudited – restated) (13 weeks)	Change	**2009** **(unaudited)** **(52 weeks)**	2008 (audited – restated) (53 weeks)	Change
Sales	**$ 7,311**	$ 7,745	(5.6%)	**$ 30,735**	$ 30,802	(0.2%)
Gross profit	**1,728**	1,740	(0.7%)	**7,196**	6,911	4.1%
Operating income	**277**	320	(13.4%)	**1,205**	1,052	14.5%
Net earnings	**165**	190	(13.2%)	**656**	550	19.3%
Basic net earnings per common share ($)	**0.60**	0.70	(14.3%)	**2.39**	2.01	18.9%
Same-store sales growth (%)	**(7.8%)**	10.6%		**(1.1%)**	4.2%	
Operating margin	**3.8%**	4.1%		**3.9%**	3.4%	
EBITDA(2)	**$ 420**	$ 434	(3.2%)	**$ 1,794**	$ 1,602	12.0%
EBITDA margin(2)	**5.7%**	5.6%		**5.8%**	5.2%	

"We are three years into our renewal program and making progress with two of the toughest years ahead," said Galen G. Weston, Executive Chairman, Loblaw Companies Limited. "As we enter 2010, we continue to expect sales and margins to be challenged by deflation and increased competitive intensity. The Company plans to step up its investment in information technology and supply chain which will negatively impact operating income by approximately $185 million over 2009, while at the same time maintaining its capital expenditures at approximately $1 billion."

(1) This News Release contains forward-looking information. See Forward-Looking Statements on page 3 of this News Release for a discussion of material factors that could cause actual results to differ materially from the conclusions, forecasts and projections herein and of the material assumptions that were used. This News Release must be read in conjunction with Loblaw Companies Limited's filings with securities regulators made from time to time, all of which can be found at www.sedar.com and at www.loblaw.ca.

(2) See Non-GAAP Financial Measures on page 7 of this News Release.

- Sales and same-store sales declined 5.6% and 7.8%, respectively in the fourth quarter of 2009 and were:
  - negatively impacted by approximately 7.0% due to the extra selling week in the fourth quarter of 2008;
  - negatively impacted by approximately 0.7% as a result of the shift of Thanksgiving holiday sales into the third quarter of 2009 from the fourth quarter of 2008; and
  - positively impacted by approximately 0.6% as a result of a labour disruption in certain *Maxi* stores in Quebec in the fourth quarter of 2008.

- In addition to the factors mentioned above, sales in the fourth quarter of 2009 were:
  - positively impacted by 1.8% by the acquisition of T&T Supermarket Inc. ("T&T"), which was completed in the third quarter of 2009; and
  - negatively impacted by 0.3% by the sale of the Company's food service business in the fourth quarter of 2008.

- On an equivalent 12 week basis, in the fourth quarter of 2009:
  - sales growth in food was flat and drugstore was moderate;
  - sales growth in apparel was strong while sales of other general merchandise declined significantly;
  - gas bar sales increased as a result of higher retail gas prices and strong volume growth; and
  - the Company experienced internal retail food price deflation compared to modest food price inflation as measured by "The Consumer Price Index for Food Purchased from Stores".

- Gross profit decreased by $12 million, or 0.7%, to $1,728 million in the fourth quarter of 2009 compared to the fourth quarter of 2008, as a result of the additional selling week in 2008. Gross profit as a percentage of sales in the fourth quarter of 2009 was 23.6% compared to 22.5% in the fourth quarter of the prior year. This improvement was primarily attributable to improved buying synergies, more disciplined vendor management, lower fuel costs and the efficiency of transportation operations. Continued investments in pricing partially offset the improvement.

- The following items influenced the Company's operating income in the fourth quarter of 2009 (12 weeks) compared to the fourth quarter of 2008 (13 weeks):
  - A charge related to stock-based compensation net of equity forwards of $5 million ($2008 – income of $17 million). The effect on basic net earnings per common share was a charge of $0.01 (2008 – income of $0.07).
  - No income in 2009 compared to a positive impact in 2008 related to the reversal of $8 million in restructuring charges and $22 million by the sale of the Company's food service business. The effects on the fourth quarter of 2008 basic net earnings per common share were income of $0.02 and $0.06, respectively.

- Operating income decreased by $43 million, or 13.4%, to $277 million in the fourth quarter of 2009 compared to the fourth quarter of 2008, primarily as a result of the additional selling week in 2008. Operating margin was 3.8% for the fourth quarter of 2009 compared to 4.1% in 2008. Included in operating income is a charge of $27 million (2008 - $29 million) for fixed asset impairments related to asset carrying values in excess of fair values for certain stores and an incremental charge of $12 million related to the investment in information technology and supply chain. The results of T&T's operations included in the Company's fourth quarter operating income were not significant.

Forward-Looking Statements

This News Release for Loblaw contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, liquidity, obligations, results of operations, cash flows, performance, prospects and opportunities. Words such as "anticipate", "expect", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" and "should" and similar expressions, as they relate to the Company and its management, are intended to identify forward-looking statements. These forward-looking statements are not historical facts but reflect the Company's current expectations concerning future results and events.

These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the possibility that the Company's plans and objectives will not be achieved. These risks and uncertainties include, but are not limited to: changes in economic conditions including the rate of inflation or deflation; 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 of the Company to realize the anticipated benefits of business acquisitions or divestitures; failure to realize sales growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including investments in the Company's information technology systems, supply chain investments and other cost reduction initiatives; increased costs relating to utilities, including electricity, and fuel; 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 introduction of innovative and reformulated products or new and renovated stores; unanticipated results associated with the Company's strategic initiatives, including 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 which could lead to work stoppages; 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 stock-based compensation and equity forward contracts relating to common shares; changes in the Company's tax liabilities including 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; changes in interest and currency exchange rates; the inability of the Company to collect on its credit card receivables; any requirement of the Company to make contributions to its registered funded defined benefit pension plans in excess of those currently contemplated; the inability of the Company to attract and retain key executives; 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 Management's Discussion and Analysis included in the Company's 2008 Annual Report – Financial Review. These forward-looking statements reflect management's current assumptions regarding these risks and uncertainties and their respective impact on the Company.

Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this News Release. 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.

Results of Operations

The Company continues to progress in its turnaround efforts, focusing on food offering enhancements, product innovation, store renovations, infrastructure improvements and increasing customer value.

Sales Sales for the fourth quarter decreased by 5.6% to $7,311 million (12 weeks) compared to $7,745 million (13 weeks) in the fourth quarter of 2008.

The following factors explain the major components that influenced sales for the fourth quarter of 2009 compared to the fourth quarter of 2008:

- same-store sales decline of 7.8% including a decline in sales and same-store sales of approximately 7.0% due to the extra selling week in the fourth quarter of 2008;
- T&T sales positively impacted the Company's sales by 1.8%;
- sales were negatively impacted by 0.3% by the sale of the Company's food service business in the fourth quarter of 2008;
- sales and same-store sales were negatively impacted by approximately 0.7% as a result of the shift of Thanksgiving holiday sales into the third quarter of 2009 from the fourth quarter of 2008;
- sales and same-store sales were positively impacted by approximately 0.6% as a result of a labour disruption in certain *Maxi* stores in Quebec in the fourth quarter of 2008. These stores reopened in the first quarter of 2009, except for two stores that were permanently closed;
- on an equivalent 12 week basis, sales growth in food was flat and sales growth in drugstore was moderate;
- on an equivalent 12 week basis, sales growth in apparel was strong while sales of other general merchandise declined significantly due to lower discretionary consumer spending and reductions in assortment and square footage;
- on an equivalent 12 week basis, gas bar sales increased as a result of higher retail gas prices and strong volume growth;
- the Company experienced internal retail food price deflation compared to modest national food price inflation of 1.6% as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI"). CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores; and
- during the fourth quarter of 2009, 7 corporate and franchised stores were opened and 10 corporate and franchised stores were closed, resulting in a net decrease of 0.2 million square feet or 0.5%. During 2009, 41 corporate and franchised stores were opened, including 17 acquired T&T stores, and 33 corporate and franchised stores were closed, resulting in a net increase of 0.5 million square feet, or 1.0%.

Sales in 2009 (52 weeks) decreased by 0.2%, or $67 million, to $30,735 million from sales of $30,802 million in 2008 (53 weeks). The following factors, in addition to the quarterly factors mentioned above, further explain the change in 2009 sales over 2008:

- same-store sales decline of 1.1% including a decline in sales and same-store sales of approximately 1.8% due to the extra selling week in the fourth quarter of 2008;
- T&T sales positively impacted the Company's sales by 0.5%; and
- sales were negatively impacted by 0.5% by the sale of the Company's food service business in the fourth quarter of 2008.

Gross Profit Gross profit decreased by $12 million to $1,728 million in the fourth quarter of 2009 compared to $1,740 million in 2008, as a result of the additional selling week in 2008. Gross profit as a percentage of sales was 23.6% in the fourth quarter of 2009 compared to 22.5% in 2008. 2009 gross profit increased by $285 million to $7,196 million compared to $6,911 million in 2008. 2009 gross profit as a percentage of sales was 23.4% compared to 22.4% in 2008. In 2009, improved buying synergies, more disciplined vendor management, lower fuel costs and the efficiency of transportation operations contributed to the increase in gross profit and gross profit as a percentage of sales. Continued investments in pricing partially offset the improvement.

Operating Income Operating income decreased by $43 million to $277 million for the fourth quarter of 2009 compared to $320 million in 2008, primarily as a result of the additional selling week in 2008. Operating margin was 3.8% for the fourth quarter of 2009 compared to 4.1% in 2008. Contributing to the decrease in operating income was a charge of $5 million (2008 – income of $17 million) related to stock-based compensation net of the equity forwards and incremental costs of $12 million related to the Company's investment in information technology and supply chain. Included in 2009 fourth quarter operating income was a charge of $27 million (2008 - $29 million) for fixed asset impairments related to asset carrying values in excess of fair values for specific store locations. The fourth quarter of 2008 was positively impacted by $8 million related to lower than anticipated restructuring costs and a gain of $22 million on the sale of the Company's food service business.

(1) See Non-GAAP Financial Measures on page 7 of this News Release.

EBITDA[(1)] decreased by $14 million, or 3.2%, to $420 million in the fourth quarter of 2009 compared to $434 million in the fourth quarter of 2008. EBITDA margin[(1)] increased to 5.7% compared to 5.6% in the fourth quarter of 2008. The decrease in EBITDA[(1)] was primarily due to the decrease in operating income and operating margin.

On an equivalent 12 week basis and excluding the above items, operating income and EBITDA[(1)] in the fourth quarter of 2009 improved significantly compared to the fourth quarter of 2008.

Operating income for 2009 increased by $153 million, or 14.5%, to $1,205 million, and resulted in an operating margin of 3.9% compared to 3.4% in 2008. Included in 2009 operating income is a charge of $22 million (2008 - $7 million) related to stock-based compensation net of the equity forwards. The increases in operating income and operating margin for 2009 were primarily due to the improvement in gross profit partially offset by an increased stock-based compensation charge, the incremental costs of $73 million related to the Company's investment in information technology and supply chain and a lower gain on the sale of financial investments by *President's Choice* Bank ("*PC* Bank"), a wholly owned subsidiary of the Company, of $8 million (2008 - $14 million). Included in 2009 operating income was a charge of $27 million (2008 - $29 million) for fixed asset impairments related to asset carrying values in excess of fair values for specific store locations. Included in 2008 operating income was a gain of $22 million on the sale of the Company's food service business.

Cost reduction initiatives throughout the business contributed to the improvement in operating income in 2009 compared to the prior year. Specifically, labour and supply chain costs decreased as a result of continued labour productivity improvements and efficiency enhancements at distribution centres.

2009 EBITDA[(1)] increased by $192 million, or 12.0%, to $1,794 million compared to $1,602 million in 2008. 2009 EBITDA margin[(1)] increased to 5.8% compared to 5.2% in 2008. The increases in EBITDA[(1)] and EBITDA margin[(1)] were primarily due to the 2009 increases in operating income and operating margin.

Interest Expense and Other Financing Charges Interest expense and other financing charges for the fourth quarter of 2009 were $64 million compared to $65 million in the same period of 2008. The following items impacted interest expense and other financing charges:

- interest on long term debt of $67 million (2008 – $70 million);
- net short term interest income of $1 million (2008 – $2 million);
- interest income on security deposits of a nominal amount (2008 - $2 million);
- dividends on capital securities of $3 million (2008 − $4 million); and
- interest expense of $5 million (2008 – $5 million) was capitalized to fixed assets.

Interest expense and other financing charges in 2009 were $269 million compared to $263 million in 2008.

Income Taxes The effective income tax rate in the fourth quarter of 2009 was 18.3% (2008 – 24.3%) and 28.7% (2008 – 29.0%) for the year. The decreases in the effective income tax rate are primarily related to the cumulative reduction in the income tax expense as a result of the reduction in Ontario statutory income tax rates which were enacted in the fourth quarter of 2009, the accelerated utilization of loss carryforwards and a decrease in income tax accruals relating to certain prior year income tax matters.

Net Earnings Net earnings for the fourth quarter decreased by $25 million, or 13.2%, to $165 million from $190 million in the fourth quarter of 2008 and increased by $106 million, or 19.3%, to $656 million for the year from $550 million in 2008. Basic net earnings per common share for the fourth quarter decreased by $0.10, or 14.3%, to $0.60 from $0.70 in the fourth quarter of 2008 and increased by $0.38, or 18.9%, to $2.39 for the year compared to $2.01 in 2008.

Basic net earnings per common share were impacted in the fourth quarter of 2009 by a charge of $0.01 (2008 – income of $0.07) and a 2009 charge of $0.08 (2008 – $0.04) per common share for the net effect of the stock-based compensation net of equity forwards.

Liquidity and Capital Resources

The Company expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against the Company's existing $800 million credit facility will enable the Company to finance its capital investment program and fund its ongoing business requirements, including working capital and pension plan funding, over the next twelve months. In addition, given reasonable access to capital markets, the Company does not foresee any impediments in securing financing to satisfy its long term obligations.

(1) See Non-GAAP Financial Measures on page 7 of this News Release.

Cash flows from Operating Activities Fourth quarter cash flows from operating activities were $615 million in 2009 compared to $619 million in the fourth quarter of 2008. The decrease can be attributed to the decrease in operating income primarily related to the additional selling week in 2008 and the settlement of equity forward contracts, partially offset by the change in non-cash working capital. For 2009, cash flows from operating activities were $1,945 million compared to $960 million in 2008. The increase in cash flows from operating activities was primarily due to the increase in operating income and the change in non-cash working capital as a result of changes in inventory and accounts payable and accrued liabilities, partially offset by the settlement of equity forward contracts.

Cash flows used in Investing Activities Fourth quarter cash flows used in investing activities were $753 million compared to $419 million in the fourth quarter of 2008. The increase in cash flows used in investing activities in the fourth quarter was primarily due to the change in short term investments and a change in cash flows from credit card receivables, after securitization. During the fourth quarter of 2009, a distribution centre that was sold in 2007 was reacquired for approximately $140 million including the assumption of a mortgage for approximately $90 million. For 2009, cash flows used in investing activities were $1,248 million compared to $578 million in 2008. The year-over-year increase in cash flows used in investing activities was primarily due to the acquisition of T&T, an increase in fixed asset purchases, and the change in short term investments, partially offset by the change in security deposits. Capital expenditures for the fourth quarter were approximately $460 million (2008 – $353 million) and $1.1 billion (2008 – $750 million) for the year. The Company estimates that its capital expenditures for 2010 will be approximately $1 billion.

Cash Flows used in Financing Activities Fourth quarter cash flows used in financing activities were $51 million in 2009 compared to $161 million in the fourth quarter of 2008. The decrease in cash flows used in financing activities was primarily due to the decrease in cash dividend payments as a result of the Dividend Reinvestment Plan ("DRIP") and the repayment of short term debt in the fourth quarter of 2008, partially offset by the purchase of common shares in the fourth quarter of 2009. For 2009, cash flows used in financing activities were $173 million compared to $371 million in 2008. The year-over-year decrease in cash flows used in financing activities was primarily due to the decrease in cash dividend payments as a result of the DRIP, the timing of common share dividends and the refinancing of debt in 2008, partially offset by the purchase of common shares in the fourth quarter of 2009 and the issuance of capital securities in the third quarter of 2008.

During the second quarter of 2009, the Company issued $350 million principal amount of 5 year unsecured Medium Term Notes, Series 2-A pursuant to its Medium Term Notes, Series 2 Program. Interest on the notes is payable semi-annually at a fixed rate of 4.85%. The notes are unsecured obligations and are redeemable at the option of the Company.

In the first quarter of 2009, $125 million of 5.75% medium term notes due January 22, 2009 matured and were repaid.

Net Debt(1) In the first quarter of 2009, the Company revised its definition of net debt(1) to include the fair value of financial derivative assets and liabilities as the Company believes the measure should contain all interest bearing financing arrangements.

Net debt(1) was $2,783 million as at January 2, 2010 compared to $3,293 million as at January 3, 2009. The decrease of $510 million was primarily due to improvements in non-cash working capital and cash savings associated with the DRIP. The decrease was partially offset by the acquisition of T&T, the mortgage associated with the acquisition of a distribution centre and the purchase of common shares in the fourth quarter of 2009.

As at January 3, 2009, net debt(1) was $3,293 million, a decrease of $276 million compared to $3,569 as at December 29, 2007. The decrease was primarily due to the issuance of capital securities for $218 million in 2008, which were used to refinance a portion of the Company's debt maturities, and the foreign exchange on foreign denominated cash and cash equivalents, short term investments and security deposits held by Glenhuron Bank Limited ("Glenhuron"), a wholly owned subsidiary of the Company, all of which were partially offset by net losses from changes in the value of financial instruments.

Employee Future Benefit Contributions

For the year ended January 2, 2010, the Company contributed $100 million (2008 – $138 million) to its registered funded defined benefit pension plans. The Company expects to contribute approximately $100 million to these plans in 2010. The Company regularly monitors and assesses plan experience and the impact of changes in participant demographics, changes in capital markets and other economic factors that may impact funding requirements, employee future benefit costs and actuarial assumptions.

(1) See Non-GAAP Financial Measures on page 7 of this News Release.

Equity Forward Contracts

During the fourth quarter of 2009, Glenhuron paid $17 million and $55 million in 2009 to a counterparty to terminate a portion of the equity forwards representing 1.7 million shares for the quarter and 3.3 million shares for the year, which led to the extinguishment of a corresponding portion of the associated liability.

At the end of 2009, Glenhuron had equity forwards to buy 1.5 million (2008 – 4.8 million) of the Company's common shares at an average forward price of $66.25 (2008 – $54.46) including $10.03 (2008 – $9.59) per common share of interest expense. At the end of 2009 the interest and unrealized market loss of $48 million (2008 - $92 million) was included in accounts payable and accrued liabilities.

Risks and Risk Management

Detailed descriptions of the operating and financial risks and risk management strategies are included in the Risks and Risk Management Section on page 18 of the Management's Discussion and Analysis ("MD&A") as well as note 26 to the Consolidated Financial Statements included in the Company's 2008 Annual Report – Financial Review. The following is an update to those risks and risk management strategies:

Economic Environment The Company remains cautious that the economic factors that impact consumer spending patterns could deteriorate. These factors include continued high levels of unemployment, changes in interest rates, household debt, reduced disposable incomes and access to credit and changes in inflation. One or more of these factors could negatively affect the Company's sales and margins. Inflationary trends are unpredictable and changes in the rate of inflation will affect consumer prices, which in turn could have a negative impact on the results of the Company. Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in short term operating and longer term strategic decisions.

Non-GAAP Financial Measures

In this news release, the Company uses the following non-GAAP financial measures: EBITDA, EBITDA margin and net debt. 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 they may not be comparable to similarly titled measures presented by other publicly traded companies, and they should not be construed as an alternative to other financial measures determined in accordance with 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 condensed interim period consolidated statements of earnings for the 12 and 52 week period ended January 2, 2010 and the 13 and 53 week period ended January 3, 2009. EBITDA is useful to management in assessing the performance of the Company's ongoing operations and its ability to generate cash flows to fund cash requirements, including the Company's capital investment program.

EBITDA margin is calculated as EBITDA divided by sales.

($ millions)	**2009 (12 weeks)**	2008 (13 weeks – restated)	**2009 (52 weeks)**	2008 (53 weeks – restated)
Net earnings	**$ 165**	$ 190	**$ 656**	$ 550
Add (deduct) impact of the following:				
Minority interest	**9**	3	**11**	10
Income taxes	**39**	62	**269**	229
Interest expense and other financing charges	**64**	65	**269**	263
Operating income	**277**	320	**1,205**	1,052
Add impact of the following:				
Depreciation and amortization	**143**	114	**589**	550
EBITDA	**$ 420**	$ 434	**$ 1,794**	$ 1,602

Net Debt In the first quarter of 2009, the Company revised its definition of net debt to include the fair value of financial derivative assets and liabilities as the Company believes that the measure should include all interest bearing financing arrangements.

The Company calculates net debt as the sum of long term debt, short term debt and the fair value of financial derivative liabilities less cash and cash equivalents, short-term investments, security deposits and fair value of financial derivative assets. The Company believes that this measure is useful in assessing the amount of financial leverage employed.

($ millions)	**As at January 2, 2010**	As at January 3, 2009
Bank indebtedness	**$ 2**	$ 52
Short term debt	**–**	190
Long term debt due within one year	**343**	165
Long term debt	**4,162**	4,070
Other liabilities	**36**	–
Fair value of financial derivative liabilities (assets)	**(120)**	6
	4,423	4,483
Less: Cash and cash equivalents	**993**	528
Short term investments	**397**	225
Security deposits	**250**	437
Net debt	**$ 2,783**	$ 3,293

The second preferred shares Series A are classified as capital securities and are excluded from the calculation of net debt. Fair value of financial derivatives included in the calculation of net debt is not credit value adjusted in accordance with EIC Abstract No. 173 “Credit Risk and the Fair Value of Financial Assets and Financial Liabilities” (“EIC 173”). As at January 2, 2010 the credit value adjustment was $4.

Consolidated Statements of Earnings

For the periods ended January 2, 2010 and January 3, 2009 ($ millions except where otherwise indicated)	2009 (unaudited) (12 weeks)	2008 (unaudited – restated[1]) (13 weeks)	2009 (unaudited) (52 weeks)	2008 (audited – restated[1]) (53 weeks)
Sales	**$ 7,311**	$ 7,745	**$ 30,735**	$ 30,802
Cost of Merchandise Inventories Sold	**5,583**	6,005	**23,539**	23,891
Gross Profit	**1,728**	1,740	**7,196**	6,911
Selling and administrative expenses	**1,308**	1,306	**5,402**	5,309
Depreciation and amortization	**143**	114	**589**	550
	1,451	1,420	**5,991**	5,859
Operating Income	**277**	320	**1,205**	1,052
Interest expense and other financing charges	**64**	65	**269**	263
Earnings before Income Taxes and Minority Interest	**213**	255	**936**	789
Income Taxes	**39**	62	**269**	229
Net Earnings before Minority Interest	**174**	193	**667**	560
Minority Interest	**9**	3	**11**	10
Net Earnings	**$ 165**	$ 190	**$ 656**	$ 550
Net Earnings Per Common Share ($)				
Basic	**$ 0.60**	$ 0.70	**$ 2.39**	$ 2.01
Diluted	**$ 0.59**	$ 0.70	**$ 2.38**	$ 2.01

(1) See basis of presentation on page 12.

Consolidated Balance Sheets

($ millions)	As at January 2, 2010 (unaudited)	As at January 3, 2009 (audited – restated[(1)])
Assets		
Current Assets		
Cash and cash equivalents	**$ 993**	$ 528
Short term investments	**397**	225
Accounts receivable	**774**	867
Inventories	**2,112**	2,188
Income taxes	**–**	40
Future income taxes	**38**	41
Prepaid expenses and other assets	**50**	71
Total Current Assets	**4,364**	3,960
Fixed Assets	**8,559**	8,045
Goodwill and Intangible Assets	**1,026**	818
Other Assets	**1,042**	1,120
Total Assets	**$ 14,991**	$ 13,943
Liabilities		
Current Liabilities		
Bank indebtedness	**$ 2**	$ 52
Short term debt	**–**	190
Accounts payable and accrued liabilities	**3,242**	2,823
Income taxes payable	**41**	–
Long term debt due within one year	**343**	165
Total Current Liabilities	**3,628**	3,230
Long Term Debt	**4,162**	4,070
Other Liabilities	**534**	445
Future Income Taxes	**143**	156
Capital Securities	**220**	219
Minority Interest	**31**	20
Total Liabilities	**8,718**	8,140
Shareholders' Equity		
Common Share Capital	**1,308**	1,196
Retained Earnings	**4,948**	4,577
Accumulated Other Comprehensive Income	**17**	30
Total Shareholders' Equity	**6,273**	5,803
Total Liabilities and Shareholders' Equity	**$ 14,991**	$ 13,943

(1) See basis of presentation on page 12.

Consolidated Cash Flow Statements

For the periods ended January 2, 2010 and January 3, 2009 ($ millions)	**2009** **(unaudited)** **(12 weeks)**	2008 (unaudited – restated[(1)]) (13 weeks)	**2009** **(unaudited)** **(52 weeks)**	2008 (audited – restated[(1)]) (53 weeks)
Operating Activities				
Net earnings before minority interest	**$ 174**	$ 193	**$ 667**	$ 560
Depreciation and amortization	**143**	114	**589**	550
Future income taxes	**(33)**	29	**(29)**	27
Settlement of equity forward contracts	**(17)**	–	**(55)**	–
Change in non-cash working capital	**298**	251	**707**	(284)
Other	**50**	32	**66**	107
Cash Flows from Operating Activities	**615**	619	**1,945**	960
Investing Activities				
Fixed asset purchases	**(365)**	(353)	**(971)**	(750)
Short term investments	**(203)**	48	**(216)**	45
Proceeds from asset sales	**17**	64	**27**	125
Credit card receivables, after securitization	**(228)**	(150)	**8**	82
Business acquisitions - net of cash acquired	**(10)**	–	**(204)**	–
Franchise investments and other receivables	**10**	(16)	**6**	(37)
Security deposits and other	**26**	(12)	**102**	(43)
Cash Flows used in Investing Activities	**(753)**	(419)	**(1,248)**	(578)
Financing Activities				
Bank indebtedness	**1**	(11)	**(50)**	50
Short term debt	**–**	(92)	**(190)**	(228)
Long term debt				
Issued	**32**	–	**402**	301
Retired	**(10)**	–	**(167)**	(424)
Capital securities issued	**–**	–	**–**	218
Common shares retired	**(56)**	–	**(56)**	–
Dividends	**(18)**	(58)	**(112)**	(288)
Cash Flows used in Financing Activities	**(51)**	(161)	**(173)**	(371)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**18**	50	**(59)**	87
Change in Cash and Cash Equivalents	**(171)**	89	**465**	98
Cash and Cash Equivalents, Beginning of Period	**1,164**	439	**528**	430
Cash and Cash Equivalents, End of Period	**$ 993**	$ 528	**$ 993**	$ 528

(1) See basis of presentation on page 12.

Supplemental Financial Information

Basis of Presentation This unaudited condensed interim financial information has been prepared by management in accordance with Canadian GAAP. This unaudited condensed interim financial information does not contain all disclosures required by Canadian GAAP for annual or interim financial statements, and accordingly, this unaudited condensed interim financial information should be read in conjunction with the most recently issued annual financial statements for the 53 weeks ended January 3, 2009 contained in our 2008 Annual Report and interim financial statements for the 16 and 40 week periods ended October 10, 2009. This unaudited condensed interim financial information has not been reviewed by the Company's external auditor. All amounts in the supplemental financial information are expressed in millions, except where otherwise indicated.

This unaudited condensed interim financial information includes the accounts of the company and its wholly-owned subsidiaries. The Company also consolidates variable interest entities ("VIEs") pursuant to Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15, "Consolidation of Variable Interest Entities", that are subject to control by Loblaw on a basis other than through ownership of a majority of voting interest.

Prior year and quarterly financial information has been restated to reflect the adoption of CICA Section 3064 "Goodwill and Intangible Assets". Certain prior year information has been reclassified to conform with current year presentation. Intangible assets, which were previously presented as other assets on the consolidated balance sheet, are now included in goodwill and intangible assets and totalled $10 (2008 - $11) as at January 2, 2010.

Use of Estimates and Assumptions The preparation of the unaudited condensed interim period financial information requires management to make estimates and assumptions that affect the reported amounts and disclosures. These estimates and assumptions are based on management's historical experience, 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 asset impairment 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 condensed financial information. Illiquid credit markets, volatile equity, foreign currency, energy markets and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Acquisition of T&T

The Company acquired all of the outstanding common shares of T&T in the third quarter of 2009 for cash consideration of $200, $191 of which was paid on the date of acquisition. The Company also assumed a liability of $34 associated with preferred shares issued by T&T to a vendor prior to the acquisition. The liability will increase with a favourable performance of the T&T business and the increase in the liability will be expensed as incurred. $4 of acquisition costs were incurred in connection with the acquisition. The acquisition was accounted for using the purchase method of accounting and its results of operations from the date of the acquisition have been included by the Company.

The preferred shares are classified as Other Liabilities on the Consolidated Balance Sheet as at January 2, 2010. Redemption or purchase of the preferred shares may take place upon the occurrence of certain events, including the expiry of 5 years from the closing date of the acquisition. The preferred shareholder may increase this period up to a further 5 years if certain conditions are met. The preferred share liability may be satisfied in cash, the Company's common shares, or a combination thereof, at the option of the Company.

The preliminary purchase price allocation, based on management's assessment of fair value is as follows:

Net assets acquired:	
Inventory	$ 39
Other current assets	7
Fixed assets	73
Goodwill	131
Indefinite life intangible assets (trademarks and brand names)	51
Definite life intangible assets	14
Current liabilities	(60)
Other liabilities	(39)
Future income taxes	(16)
Cash consideration	$ 200

In connection with the acquisition of T&T, the Company also acquired certain net assets for $5.

The goodwill associated with these transactions is not deductible for tax purposes.

Basic and Diluted Net Earnings per Common Share ($, except where otherwise indicated)

	January 2, 2010 (12 weeks)	January 3, 2009 (restated) (13 weeks)	**January 2, 2010 (52 weeks)**	January 3, 2009 (restated) (53 weeks)
Net earnings for basic earnings per share ($ millions)	**$ 165**	$ 190	**$ 656**	$ 550
Dividends on capital securities ($ millions)	**3**	4	**14**	8
Net earnings for diluted earnings per share ($ millions)	**$ 168**	$ 194	**$ 670**	$ 558
Weighted average common shares outstanding (in millions)	**276.4**	274.2	**275.0**	274.2
Dilutive effect of capital securities (in millions)	**6.6**	6.7	**6.6**	3.6
Dilutive effect of stock-based compensation (in millions)	**0.2**	0.1	**0.2**	0.1
Dilutive effect of other liabilities (in millions)	**1.1**	–	**0.3**	–
Diluted weighted average common shares outstanding (in millions)	**284.3**	281.0	**282.1**	277.9
Basic net earnings per common share	**$ 0.60**	$ 0.70	**$ 2.39**	$ 2.01
Diluted net earnings per common share	**$ 0.59**	$ 0.70	**$ 2.38**	$ 2.01

Cash and Cash Equivalents

The components of cash and cash equivalents as at January 2, 2010 and January 3, 2009 were as follows:

	As at January 2, 2010	As at January 3, 2009
Cash	**$ 219**	$ 42
Cash equivalents – short term investments with a maturity of 90 days or less:		
Bank term deposits	**385**	–
Government treasury bills	**168**	219
Government-sponsored debt securities	**40**	58
Corporate commercial paper	**181**	209
Cash and cash equivalents	**$ 993**	$ 528

As at January 2, 2010, USD $945 (2008 – USD $961) held by Glenhuron was included in cash and cash equivalents, short term investments and security deposits which are included in other assets. Security deposits are also held by *PC* Bank. In the fourth quarter of 2009, the Company recognized an unrealized foreign currency exchange gain of $10 (2008 – $116) and loss of $146 (2008 – gain of $210) in 2009 as a result of translating these 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 $18 (2008 − $50) and a loss of $59 (2008 – gain of $87) in 2009 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 offset in operating income and accumulated other comprehensive income by the unrealized foreign currency exchange loss of $10 (2008 - $116) and gain of $145 (2008 – loss of $209) in 2009 on the cross currency basis swaps.

Accounts Receivable

From time to time, *PC* Bank, a wholly owned subsidiary of the Company, securitizes credit card receivables through the sale of a portion of the total interest in these receivables to independent trusts. In 2009, nil (2008 – $300) of credit card receivables were securitized to an independent trust. During the fourth quarter of 2009, *PC* Bank repurchased $50 (2008 – nil) of co-ownership interest in the securitized receivables from an independent trust and an additional $90 was repurchased subsequent to January 2, 2010. 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 $116 (2008 – $116) on a portion of the securitized amount. Other receivables consist mainly of receivables from independent franchisees, associated stores and independent accounts.

Inventories

For inventories recorded as at January 2, 2010, the Company recorded $15 (2008 – $16) as an expense for the write-down of inventories below cost to net realizable value.

Share Capital

The Company's outstanding share capital is comprised of common and preferred shares. An unlimited number of common shares is authorized. The Company issued 1,251,325 common shares during the fourth quarter of 2009 and 3,713,094 during the year from treasury under the DRIP at a three percent (3%) discount to market, resulting in an increase in common share capital and a net cash savings of $40 and $119, respectively. Also during the fourth quarter of 2009, the Company purchased for cancellation 1,698,400 (2008 – nil) of its common shares for $56 (2008 – nil), resulting in a reduction of $48 (2008 – nil) to retained earnings for the premium on the common shares purchased for cancellation. As of January 2, 2010, 276,188,258 common shares were outstanding. In addition, 12.0 million second preferred shares Series A are authorized and 9.0 million of these shares were outstanding at the end of 2009. The second preferred shares Series A are classified as capital securities and are included in long term liabilities.

During the fourth quarter of 2009, the Board of Directors declared dividends of $0.21 (2008 – $0.21) and $0.84 (2008 – $0.84) in 2009 per common share with a payment date of December 30, 2009. In addition during the fourth quarter of 2009, dividends of $0.37 (2008 – $0.37) and $1.49 (2008 – $0.91) in 2009 per second preferred share Series A were declared with a payment date of January 31, 2010. For financial information presentation purposes, second preferred share Series A dividends of $3 million (2008 – $4 million) and $14 million (2008 – $8 million) are included for the twelve and fifty-two weeks ended January 2, 2010, respectively, on the Consolidated Statement of Earnings as a component of interest expense and other financing charges.

Subsequent to the end of the quarter, the Board declared a quarterly dividend of $0.21 per common share payable on April 1, 2010 and a quarterly dividend of $0.37 per second preferred share Series A payable on April 30, 2010.

Contingencies, Commitments and Guarantees

Guarantees − Independent Funding Trusts 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 gross principal amount of loans issued to the Company's independent franchisees outstanding as of January 2, 2010 was $390 (2008 − $388) including $163 (2008 − $152) 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 15% (2008 − 15%) of the principal amount of the loans outstanding at any point in time, $66 (2008 − $66) as of January 2, 2010. The standby letter of credit has not been drawn upon.

During the second quarter of 2009, the $475, 364-day revolving committed credit facility was renewed. This facility has a further 12 month repayment term and is the source of funding to the independent trusts. The new financing structure has been reviewed and the Company determined there were no additional VIEs to consolidate as a result of this financing. In accordance with Canadian GAAP, the financial statements of the independent funding trust are not consolidated with those of the Company.

Legal Proceedings The Company is the subject of various legal proceedings and claims that arise in the ordinary course of business. The outcome of all of these proceedings and claims is uncertain. However, based on information currently available, these proceedings and claims, individually and in the aggregate, are not expected to have a material impact on the Company.

2009 Annual Consolidated Financial Statements and MD&A

The Company's audited consolidated financial statements and MD&A for the year ended January 2, 2010 will be released on or before March 12, 2010. Both documents will be contained in the Company's 2009 Annual Report and will be available in the Investor Zone section of the Company's website at www.loblaw.ca or at www.sedar.com.

Investor Relations

Shareholders, security analysts and investment professionals should direct their requests to Kim Lee, Senior Director, 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.

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on February 17, 2010 at 11:00 a.m. (EST).

To access via tele-conference please dial (647) 427-7450. The playback will be made available two hours after the event at (416) 849-0833, passcode: 47485855#. To access via webcast please visit www.loblaw.ca, go to Investor Zone and click on webcast. Pre-registration will be available.

Full details are available on the Loblaw Companies Limited website at www.loblaw.ca.