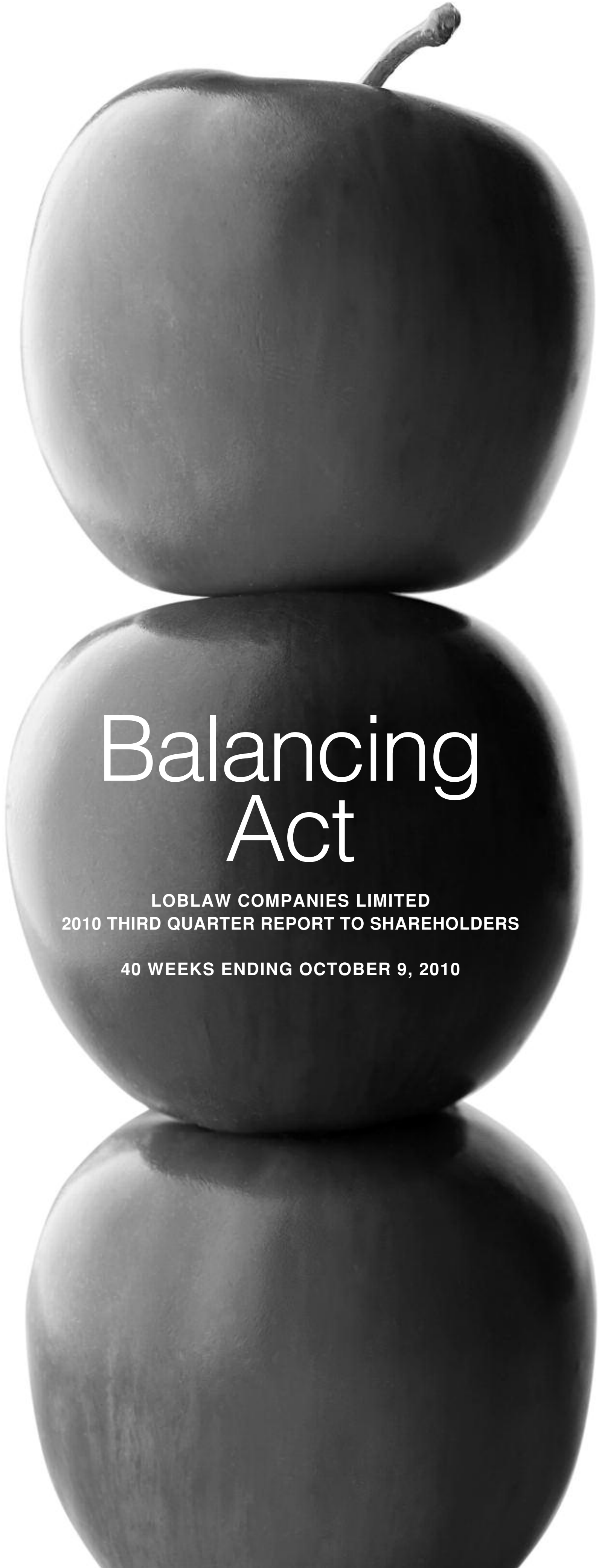
Loblaw
COMPANIES LIMITED



Balancing Act

LOBLAW COMPANIES LIMITED
2010 THIRD QUARTER REPORT TO SHAREHOLDERS

40 WEEKS ENDING OCTOBER 9, 2010

LOBLAW COMPANIES LIMITED REPORTS THIRD QUARTER 2010 RESULTS

2010 Third Quarter Summary(1)

- Basic net earnings per common share of $0.77 up 11.6%
- EBITDA(2) margin of 6.2%, an increase of 30 basis points from 5.9%
- Sales of $9,593 million, growth of 1.3%
- Same-store sales declined 0.4%

For the periods ended October 9, 2010 and October 10, 2009 (unaudited) ($ millions except where otherwise indicated)	**2010 (16 weeks)**	2009 (16 weeks)	% Change	**2010 (40 weeks)**	2009 (40 weeks)	% Change
Sales	**$ 9,593**	$ 9,473	1.3 %	**$ 23,836**	$ 23,424	1.8%
Gross profit	**2,317**	2,165	7.0%	**5,830**	5,468	6.6%
Operating income	**390**	378	3.2%	**980**	928	5.6%
Net earnings	**213**	189	12.7%	**530**	491	7.9%
Basic net earnings per common share ($)	**0.77**	0.69	11.6%	**1.91**	1.79	6.7%
Same-store sales (decline) growth (%)	**(0.4%)**	(0.6%)		**(0.3%)**	1.1%	
Operating margin	**4.1%**	4.0%		**4.1%**	4.0%	
EBITDA(2)	**$ 591**	$ 557	6.1%	**$ 1,482**	$ 1,374	7.9%
EBITDA margin(2)	**6.2%**	5.9%		**6.2%**	5.9%	

"The Company continues to make progress towards the final stages of its renewal program in a market which remains highly competitive and under deflationary pressures," said Galen G. Weston, Executive Chairman, Loblaw Companies Limited. "These factors, combined with the significant risk and cost associated with the major systems and infrastructure programs the Company is undertaking, will continue to put future sales and margins increasingly under pressure".

- Sales in the third quarter of 2010 were positively impacted by 1.7% by the acquisition of T&T Supermarket Inc. ("T&T"), which was completed at the end of the third quarter of 2009.
- In the third quarter of 2010:
  - sales in food were flat;
  - the Company's internal retail food price index was flat. This compared to internal retail food price inflation in the third quarter of 2009;
  - sales in drugstore declined marginally, impacted by deflation due to regulatory changes in Ontario and the introduction of generic versions for certain prescription drugs;
  - sales growth in apparel was strong while sales of other general merchandise declined significantly; and
  - gas bar sales increased significantly as a result of higher retail gas prices and strong volume growth.
- Gross profit increased by $152 million, or 7.0%, to $2,317 million in the third quarter of 2010 compared to the third quarter of 2009. Gross profit as a percentage of sales in the third quarter of 2010 was 24.2% compared to 22.9% in the third quarter of 2009. The increase was primarily attributable to continued buying synergies, disciplined vendor management, improved control label profitability and inventory management and a stronger Canadian dollar, partially offset by increased transportation costs.

(1) This report contains forward-looking information. See Forward-Looking Statements on page 3 of this report 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 factors and assumptions that were used. This report 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 17 of this report.

- Operating income in the third quarter of 2010 included a charge related to the effect of stock-based compensation net of equity forwards of $10 million in 2010 compared with $5 million in 2009. The effect on basic net earnings per common share was a charge of $0.04 (2009 – $0.03).

- The Company incurred an incremental cost of $46 million in the third quarter of 2010 related to its investment in information technology and supply chain, which negatively impacted basic net earnings per common share by $0.12. The Company expects associated incremental costs to range between $25 million and $30 million for the fourth quarter of 2010 and between $140 million and $145 million for the year 2010.

- In connection with the ratification of new 5-year collective agreements with certain Ontario locals of the United Food and Commercial Workers Canada union, the Company incurred a cost of approximately $17 million in the third quarter of 2010 which negatively impacted basic net earnings per common share by $0.04. With the ratification of these collective agreements, the Company expects improved operational flexibility.

- Operating income and operating margin were positively influenced by improved gross profit, partially offset by the charge related to stock-based compensation net of the equity forwards, incremental costs related to the investment in information technology and supply chain, the cost in connection with the ratification of a new collective agreement and increased labour costs.

- The Company's estimate of capital expenditures has increased to approximately $1.3 billion for the year 2010.

Contents

Forward-Looking Statements

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

These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including, but not limited to:

- the possibility that the Company's plans and objectives will not be achieved;
- 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 to realize sales growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including investments in the Company's information technology systems, supply chain investments and other cost reduction initiatives, or unanticipated results from these initiatives;
- increased costs relating to utilities, including electricity and fuel;
- the inability of the Company to successfully implement its infrastructure and information technology components of its plan;
- the inability of the Company's information technology infrastructure to support the requirements of the Company's business;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- failure to execute successfully and in a timely manner the Company's introduction of innovative and reformulated products or new and renovated stores;
- the inability of the Company's supply chain to service the needs of the Company's stores;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements which could lead to work stoppages;
- changes to the regulatory environment in which the Company operates;
- the adoption of new accounting standards and changes in the Company's use of accounting estimates;
- fluctuations in the Company's earnings due to changes in the value of stock-based compensation and equity forward contracts relating to its Common Shares;
- changes in the Company's tax liabilities including changes in tax laws or future assessments;
- reliance on the performance and retention of third-party service providers, including those associated with the Company's supply chain and apparel business;
- public health events including those relating to food safety;
- 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
- 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 Enterprise Risks and Risk Management section of the Management's Discussion and Analysis ("MD&A") included in the Company's 2009 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 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 third quarter 2010 unaudited interim period consolidated financial statements and the accompanying notes included in this Quarterly Report and the audited annual consolidated financial statements and the accompanying notes for the year ended January 2, 2010 and the related annual MD&A included in the Company's 2009 Annual Report – Financial Review. The Company's 2010 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 the Company and its variable interest entities ("VIEs") that the Company is required to consolidate in accordance with Accounting Guideline 15, "Consolidation of Variable Interest Entities".

A glossary of terms used throughout this Quarterly Report can be found on page 86 of the Company's 2009 Annual Report – Financial Review. In addition, this Quarterly Report includes the following terms: "rolling year net debt(1) to EBITDA(1)" which is defined as net debt(1) divided by cumulative EBITDA(1) for the latest four quarters; "rolling year return on average net assets(1)", which is defined as cumulative operating income for the latest four quarters divided by average net assets(1); "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; and "operating working capital", which is defined as the sum of accounts receivable, inventories and prepaid expenses and other assets less accounts payable and accrued liabilities.

The information in this MD&A is current to November 16, 2010, unless otherwise noted.

Results of Operations

Sales Sales for the third quarter increased by 1.3%, or $120 million, to $9,593 million compared to $9,473 million in the third quarter of 2009. The following factors explain the major components of the increase:

- T&T Supermarkets Inc. ("T&T") sales positively impacted the Company's sales by 1.7%;
- same-store sales declined by 0.4%;
- sales in food were flat;
- the Company's internal retail food price index was flat. This compared to internal retail food price inflation in the third quarter of 2009. National food price inflation was 1.3% 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;
- sales in drugstore declined marginally, impacted by deflation due to regulatory changes in Ontario and the introduction of generic versions for certain prescription drugs;
- sales growth in apparel was strong while sales of other general merchandise declined significantly due to reductions in assortment and square footage and lower discretionary consumer spending;
- gas bar sales increased significantly as a result of higher retail gas prices and strong volume growth; and
- during the third quarter of 2010, net retail square footage remained flat, as 2 stores opened and 2 stores closed. During the last four quarters, 14 stores were opened and 24 stores were closed, resulting in a net decrease of 0.1 million square feet, or 0.2%.

For the first three quarters of the year, sales increased by 1.8%, or $412 million, to $23,836 million compared to the same period in 2009. The following factors, in addition to the quarterly factors mentioned above, further explain the increase:

- T&T sales positively impacted the Company's sales by 1.8%;
- same-store sales declined by 0.3%; and
- sales and same-store sales were positively impacted by approximately 0.2% as a result of a labour disruption during the first quarter of 2009 in certain Maxi stores in Quebec. These stores reopened in the first quarter of 2009, except for two stores that were permanently closed.

(1) See Non-GAAP Financial Measures on page 17.

Gross Profit Gross profit increased by $152 million, or 7.0%, to $2,317 million in the third quarter of 2010 compared to $2,165 million in the third quarter of 2009. Gross profit as a percentage of sales was 24.2% in the third quarter of 2010 compared to 22.9% in the third quarter of 2009. Year-to-date gross profit increased by $362 million to $5,830 million compared to $5,468 in the comparable period of 2009. Year-to-date gross profit as a percentage of sales was 24.5% compared to 23.3% in the comparable period of 2009. In the first three quarters of 2010, the increase in gross profit and gross profit as a percentage of sales was primarily attributable to continued buying synergies, disciplined vendor management, improved control label profitability and inventory management and a stronger Canadian dollar, partially offset by increased transportation costs.

Operating Income Operating income increased by $12 million, or 3.2%, to $390 million in the third quarter of 2010 compared to $378 million in the third quarter of 2009. Operating margin was 4.1% for the third quarter of 2010 and 4.0% for the third quarter of 2009. The increases in operating income and operating margin were primarily due to the changes in gross profit as described above, partially offset by a charge of $10 million (2009 –$5 million) related to stock-based compensation net of the equity forwards, incremental costs of $46 million related to the Company's investment in information technology and supply chain and increased labour costs. In addition, in connection with the ratification of new 5-year collective agreements with certain Ontario locals of the United Food and Commercial Workers Canada union, the Company incurred a cost of approximately $17 million in the third quarter of 2010.

EBITDA(1) increased by $34 million, or 6.1%, to $591 million in the third quarter of 2010 compared to $557 million in the third quarter of 2009. EBITDA margin(1) increased in the third quarter of 2010 to 6.2% from 5.9% in the comparable period of 2009. The increases in EBITDA(1) and EBITDA margin(1) were primarily due to the changes in operating income as described above.

Year-to-date operating income for 2010 increased by $52 million, or 5.6%, to $980 million, and resulted in an operating margin of 4.1% compared to 4.0% in the comparable period in 2009. The year-to-date increases in operating income and operating margin were primarily due to the changes in gross profit as described above, partially offset by a charge of $30 million (2009 – $17 million) related to stock-based compensation net of the equity forwards, incremental costs of $115 million related to the Company's investment in information technology and supply chain, the $17 million cost incurred in the third quarter of 2010 in connection with the ratification of new collective agreements and increased labour costs. Included in the incremental costs was $16 million of costs related to changes in the Company's distribution network in Quebec recorded in the second quarter of 2010. In addition, in connection with the distribution network changes a $26 million asset impairment charge was recorded for the closure of a distribution centre. Year-to-date operating income in 2009 included a gain of $8 million from the sale of financial investments by President's Choice Bank ("PC Bank"), a wholly owned subsidiary of the Company.

Year-to-date EBITDA(1) increased by $108 million, or 7.9% to $1,482 million compared to $1,374 million in the comparable period in 2009. EBITDA margin(1) improved to 6.2% compared to 5.9% for the same period last year. The year-to-date increases in EBITDA(1) and EBITDA margin(1) were primarily due to the changes in year-to-date operating income as described above.

Interest Expense and Other Financing Charges Interest expense and other financing charges decreased to $78 million in the third quarter of 2010 compared to $84 million in the third quarter of 2009 primarily due to an increase in interest income related to financial derivative instruments. Year-to-date interest expense and other financing charges increased to $210 million compared to $205 million in the comparable period of 2009 primarily due to an increase in interest expense on long term debt partially offset by an increase in interest income related to financial derivative instruments.

Income Taxes The effective income tax rate in the third quarter of 2010 was 28.5% (2009 – 34.4%) and 29.4% (2009 – 31.8%) year-to-date. The quarter over quarter decrease in the effective income tax rate was primarily due to a decrease in the income tax accruals relating to certain prior year income tax matters and the change in the proportions of taxable income earned across different tax jurisdictions. The year over year decrease in the effective income tax rate was primarily due to the proportions of taxable income earned across different tax jurisdictions and a decrease in the income tax accruals relating to certain prior year income tax matters.

(1) See Non-GAAP Financial Measures on page 17.

In March 2010, the federal budget proposed changes that impact the tax deductibility of cash-settled stock options. As at October 9, 2010, the Company has $12 million in current and future tax assets relating to outstanding employee stock options that will be expensed when the proposed changes are substantively enacted.

Net Earnings Net earnings for the third quarter of 2010 increased by $24 million, or 12.7%, to $213 million from $189 million in the third quarter of 2009 and year-to-date increased by $39 million, or 7.9%, to $530 million from $491 million in 2009. Basic net earnings per common share for the third quarter increased by $0.08, or 11.6%, to $0.77 from $0.69 in the third quarter of 2009 and year-to-date increased by $0.12, or 6.7%, to $1.91 compared to $1.79 for the same period last year.

Basic net earnings per common share in the third quarter of 2010 included the following:

- a charge of $0.04 (2009 –$0.03) per common share for the net effect of stock-based compensation net of equity forwards.

Year-to-date basic net earnings per common share for 2010 included the following:

- a charge of $0.08 (2009 –$0.07) per common share for the net effect of stock-based compensation net of equity forwards; and
- a charge of $0.07 (2009 – nil) per common share for the distribution centre asset impairment.

Financial Condition

Financial Ratios The Company's net debt[1] to equity[1] ratio continued to be within the Company's internal guideline of less than 1:1. The net debt[1] to equity[1] ratio was 0.36:1 at the end of the third quarter of 2010 compared to 0.42:1 at the end of the third quarter of 2009 and 0.43:1 at year end 2009. The rolling year net debt[1] to EBITDA[1] ratio was 1.3 times at the end of the third quarter of 2010 compared to 1.5 times at the end of the third quarter of 2009 and 1.6 times at year end 2009. The decreases in these ratios at the end of the third quarter of 2010 compared to year end 2009 and the third quarter of 2009 were primarily due to the decrease in net debt[1] and the increase in cumulative operating income for the latest four quarters for the respective ratios.

The interest coverage ratio was 4.3 times for the third quarter of 2010 and 4.2 times for the third quarter of 2009. This ratio increased compared to the prior year due to the improvement in year-to-date operating income which was partially offset by an increase in year-to-date interest expense.

The rolling year return on net assets[1] at the end of the third quarter of 2010 was 12.4%, compared to 12.6% at the end of the third quarter of 2009 and 12.0% at year end 2009. The increase in this ratio at the end of the third quarter of 2010 compared to year end 2009 was primarily due to the increase in cumulative operating income for the latest four quarters partially offset by the increase in net assets[1]. The decrease in this ratio from the third quarter of 2009 is due to an increase in net assets partially offset by an increase in cumulative operating income. The rolling year return on shareholders' equity at the end of the third quarter of 2010 was 10.8%, compared to 11.5% at the end of the third quarter of 2009 and 10.9% at year end 2009. The decreases in this ratio were due to the increases in average shareholders' equity partially offset by the increase in cumulative net earnings over the respective latest four quarters.

First Preferred Shares 1.0 million non-voting First Preferred Shares are authorized, of which none were outstanding at the end of the third quarter of 2010.

Capital Securities 12.0 million non-voting Second Preferred Shares, Series A are authorized, of which 9.0 million were outstanding at the end of the third quarter of 2010.

Common Share Capital An unlimited number of common shares is authorized, of which 279,501,896 were outstanding at the end of the third quarter of 2010.

Further information on the Company's outstanding share capital is provided in note 13 to the unaudited interim period consolidated financial statements.

(1) See Non-GAAP Financial Measures on page 17.

Dividends During the third quarter of 2010, the Company's Board of Directors declared a dividend of $0.21 per common share with a payment date of October 1, 2010 and $0.37 per Second Preferred Share, Series A payable on October 31, 2010. Subsequent to the end of the third quarter of 2010, the Board declared a quarterly dividend of $0.21 per common share payable on December 30, 2010 and a quarterly dividend of $0.37 per Second Preferred Share, Series A payable on January 31, 2011.

Dividend Reinvestment Plan ("DRIP") During the third quarter of 2010, the Company issued 2,193,185 (2009 – 2,461,769) common shares and year-to-date 3,313,638 (2009 – 2,461,769) common shares from treasury under the DRIP at a three percent (3%) discount to market resulting in net cash savings and incremental common share equity to the Company of approximately $84 million in the third quarter (2009 – $79 million) and $125 million (2009 – $79 million) year-to-date.

Liquidity and Capital Resources

Cash flows from Operating Activities Third quarter cash flows from operating activities were $587 million in 2010 compared to $855 million in the third quarter of 2009. On a year-to-date basis, cash flows from operating activities were $991 million compared to $1,330 million in the comparable period in 2009. The decreases in cash flows from operating activities were primarily due to the change in non-cash working capital, partially offset by the increases in EBITDA(1) as described in the results of operations section of this MD&A.

Cash flows used in Investing Activities Third quarter cash flows used in investing activities were $569 million compared to $363 million in the third quarter of 2009. The increase in cash flows used in investing activities in the third quarter was primarily due to an increase in fixed asset purchases, the change in short term investments and the increase in security deposits and other assets primarily as a result of PC Bank's accumulation of $150 million, partially offset by the acquisition of T&T which was completed at the end of the third quarter of 2009. On a year-to-date basis, cash flows used in investing activities were $696 million compared to $495 million in the comparable period in 2009. The year-to-date increase in cash flows used in investing activities was primarily due to an increase in fixed asset purchases, PC Bank's repurchase of $90 million of co-ownership interest in securitized receivables from an independent trust in the first quarter of 2010 and the increase in security deposits and other assets primarily as a result of PC Bank's accumulation of $150 million in the third quarter of 2010, partially offset by the changes in short term investments and the acquisition of T&T which was completed at the end of the third quarter of 2009. Capital investment amounted to $479 million (2009 – $284 million) for the third quarter and $863 million (2009 – $606 million) year-to-date which includes $17 million and $36 million, respectively, that was financed through capital leases. The Company's estimate of capital expenditures has increased to approximately $1.3 billion for the year 2010 due to an increase in planned retail renovations driven by better than expected performance of renovated stores.

Cash Flows (used in) from Financing Activities Third quarter cash flows used in financing activities were $32 million in 2010 compared to $44 million in the third quarter of 2009. The decrease in cash flows used in financing activities in the third quarter was primarily due to an increase in long term debt. On a year-to-date basis, cash flows from financing activities were $12 million compared to cash flows used in financing activities of $122 million in the comparable period of 2009. The year-to-date change was primarily due to the issuance of $350 million of 5.22% Medium Term Notes in the second quarter of 2010, the cash savings associated with the DRIP during 2010, the repayment of the Company's short term debt and bank indebtedness in the second quarter of 2009 and the repayment of the $125 million, 5.75% Medium Term Note in the first quarter of 2009, partially offset by the repayment of the $300 million, 7.10% Medium Term Note in the second quarter of 2010 and the issuance of $350 million, 4.85% Medium Term Notes in the second quarter of 2009.

During the third quarter of 2010, PC Bank began accepting deposits under a new Guaranteed Investment Certificate ("GIC") program. The GICs, which are sold through an independent broker channel, are issued with fixed terms ranging from 12 to 60 months and are non-redeemable prior to maturity. Individual balances up to $100,000 are Canada Deposit Insurance Corporation (CDIC) insured. As at October 9, 2010, $7 million was recorded as long term debt on the consolidated balance sheet.

During the second quarter of 2010, the Company issued $350 million principal amount of 10 year unsecured Medium Term Notes, Series 2-B pursuant to its Medium Term Notes, Series 2 program. Interest on the notes is payable semi-annually at a fixed rate of 5.22%. The notes are unsecured obligations and are redeemable at the option of the Company. In the second quarter of 2009, the Company issued $350 million principal amount of 5 year unsecured Medium Term Notes, Series 2-A which pay a fixed rate of interest of 4.85% payable semi-annually.

During the second quarter of 2010, the $300 million, 7.10% Medium Term Note due May 11, 2010 matured and was repaid. In the first quarter of 2009, the $125 million, 5.75% Medium Term Note matured and was repaid.

Net Debt(1) As at October 9, 2010, net debt(1) was $2,529 million compared to $2,783 million as at January 2, 2010. The decrease of $254 million was primarily due to positive cash flows from operating activities and a decrease in credit card receivables, after securitization, partially offset by fixed asset purchases.

Sources of Liquidity

The Company expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against its credit facility will enable the Company to finance its capital investment program and fund its ongoing business requirements, including working capital, pension plan funding and financial obligations 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.

PC Bank participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. Under these securitization programs, a portion of the total interest in the credit card receivables is sold to independent trusts pursuant to co-ownership agreements. PC Bank purchases receivables from and sells receivables to the trusts from time to time depending on PC Bank's financing requirements. In the third quarter of 2010, PC Bank accumulated $150 million of collections that will be used in the fourth quarter to repurchase a portion of its co-ownership interest in securitized receivables from two of the independent trusts. In the fourth quarter of 2010, PC Bank intends to simultaneously increase the co-ownership interest of another trust leaving the total level of securitization unchanged but rebalanced between trusts. A portion of the securitized receivables that is held by an independent trust facility was also renewed for 2 years during the third quarter of 2010. During the first quarter of 2010, PC Bank also repurchased $90 million (2009 – nil) of co-ownership interest in securitized receivables from an independent trust.

On March 17, 2011, the five-year $500 million senior notes and subordinated notes issued by Eagle Credit Card Trust will mature. Eagle Credit Card Trust has declared an accumulation commencement date of December 1, 2010 at which time collections will be accumulated until an amount sufficient to repay the notes at maturity has been accumulated. The Company is considering alternatives for refinancing these notes in the securitization market. In the absence of additional securitization of receivables, the Company would be required to use its cash and short term investments or raise alternative financing by issuing additional debt or equity instruments.

The independent trusts' recourse to PC Bank's assets is limited to PC Bank's excess collateral of $114 million as at October 9, 2010 (October 10, 2009 – $124 million; January 2, 2010 – $121 million) as well as standby letters of credit issued as at October 9, 2010 of $103 million (October 10, 2009 – $116 million; January 2, 2010 – $116 million) based on a portion of the securitized amount.

During the third quarter of 2010, the Company's Short Form Base Shelf Prospectus dated June 5, 2008 which allowed for the issuance of up to $1 billion of unsecured debt and/or preferred shares, expired. On or about November 18, 2010, the Company intends to file a Short Form Base Shelf Prospectus which will also allow for the issuance of up to $1 billion of unsecured debt and/or preferred shares over a 25-month period.

The Company has traditionally obtained its long term financing primarily through a Medium Term Notes program. The Company may refinance maturing long term debt with Medium Term Notes if market conditions are appropriate or it may consider other alternatives.

(1) See Non-GAAP Financial Measures on page 17.

During the third quarter of 2010, Dominion Bond Rating Service reaffirmed the Company's credit ratings and trend. During the second quarter of 2010, Standard & Poor's reaffirmed the Company's credit rating and outlook. 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 (middle)	Stable	A-2	Stable
Medium term notes	BBB	Stable	BBB	Stable
Preferred shares	Pfd-3	Stable	P-3 (high)	Stable
Other notes and debentures	BBB	Stable	BBB	Stable

The 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.

The Company's and PC Bank's ability to obtain funding from external sources may be restricted by downgrades in the Company's current credit ratings 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 financial and other liabilities. The Company mitigates these risks by maintaining appropriate levels of cash and cash equivalents and short term investments, committed lines of credit and diversifying its sources of funding and the maturity profile of its debt and capital obligations.

During the second quarter of 2010, Loblaw renewed its Normal Course Issuer Bid to purchase on the Toronto Stock Exchange ("TSX"), or to enter into equity derivatives to purchase, up to 13,865,435 of the Company's common shares, representing approximately 5% of the common shares outstanding. In accordance with the requirements of the TSX, any purchases must be at the then market prices of such shares. The Company did not purchase any shares under its Normal Course Issuer Bid during the first three quarters of 2010.

Independent Funding Trusts

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

The gross principal amount of loans issued to the Company's independent franchisees by the independent funding trusts as at October 9, 2010 was $395 million (October 10, 2009 – $377 million; January 2, 2010 – $390 million) including $188 million (October 10, 2009 – $143 million; January 2, 2010 – $163 million) of loans payable by VIEs consolidated by the Company. The Company has agreed to provide credit enhancement of $66 million (October 10, 2009 – $66 million; January 2, 2010 – $66 million) in the form of a standby letter of credit for the benefit of the independent funding trust representing not less than 15% of the principal amount of the loans outstanding. This standby letter of credit has never been drawn upon. This credit enhancement allows the independent funding trust to provide financing 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 would assign the loan to the Company and draw upon this standby letter of credit.

During the second quarter of 2010, the $475 million, 364-day revolving committed credit facility that is the source of funding to the independent trusts was renewed. The financing structure has been reviewed and the Company has determined there were no additional VIEs to consolidate as a result of this financing.

Equity Forward Contracts

As at October 9, 2010, Glenhuron Bank Limited ("Glenhuron") had equity forward contracts to buy 1.5 million (October 10, 2009 – 3.2 million; January 2, 2010 – 1.5 million) of the Company's common shares at an average forward price of $56.27 (October 10, 2009 – $53.76; January 2, 2010 – $66.25) including $0.05 (October 10, 2009 – $9.14; January 2, 2010 – $10.03) per common share of interest expense. As at October 9, 2010, the interest and unrealized market loss of $23 million (October 10, 2009 – $71 million; January 2, 2010 – $48 million) was included in accounts payable and accrued liabilities. In the second quarter of 2009, Glenhuron paid $38 million to a counterparty to terminate a portion of the equity forwards representing 1.6 million shares, which led to the extinguishment of a corresponding portion of the associated liability.

Employee Future Benefit Contributions

During the first three quarters of 2010, the Company contributed $75 million (2009 – $75 million) to its registered funded defined benefit pension plans. The Company expects to contribute $25 million to these plans during the fourth quarter of 2010. The actual amount paid may vary from the estimate based on actuarial valuations being completed, market performance and regulatory requirements. 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.

Quarterly Results of Operations

Under an accounting convention common in the food distribution industry the Company follows a 52-week reporting cycle which periodically necessitates a fiscal year of 53 weeks. 2008 was a 53-week fiscal year. The 52-week reporting cycle is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration. The following is a summary of selected consolidated financial information derived from the Company's unaudited interim consolidated financial statements for each of the eight most recently completed quarters. This information was prepared in accordance with Canadian GAAP.

Summary of Quarterly Results
(unaudited)

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
($ millions except where otherwise indicated)	**2010 (16 weeks)**	2009 (16 weeks)	2010 (12 weeks)	2009 (12 weeks)	2010 (12 weeks)	2009 (12 weeks)	2009 (12 weeks)	2008 (13 weeks – restated)
Sales	**$ 9,593**	$ 9,473	$ 7,317	$ 7,233	$ 6,926	$ 6,718	$ 7,311	$ 7,745
Net earnings	**$ 213**	$ 189	$ 180	$ 193	$ 137	$ 109	$ 165	$ 190
Net earnings per common share								
Basic ($)	**$ 0.77**	$ 0.69	$ 0.64	$ 0.70	$ 0.50	$ 0.40	$ 0.60	$ 0.70
Diluted ($)	**$ 0.76**	$ 0.69	$ 0.64	$ 0.70	$ 0.49	$ 0.40	$ 0.59	$ 0.70

Sales growth was positive in the third quarter of 2010 compared to the third quarter of 2009. Same-store sales decline was 0.4% in the third quarter of 2010 and 0.3% in the second quarter of 2010. Same-store sales growth in the first quarter of 2010 was 0.3%. Sales and same-store sales decreased in the third and fourth quarters of 2009 compared to 2008. Quarterly same-store sales increases were 2.1% and 2.5% for the first and second quarters of 2009 compared to 2008, respectively. Quarterly same-store sales declines were 0.6% and 7.8% for the third and fourth quarters of 2009 compared to 2008, respectively. The acquisition of T&T at the end of the third quarter of 2009 positively impacted the Company's sales by 0.2% and 1.8% for the third and fourth quarters of 2009 compared to 2008, respectively. T&T sales positively impacted the Company's sales by 1.7%, 1.9% and 2.0% in the third, second and first quarters of 2010 compared to the third, second and first quarters of 2009, respectively. The sale of the Company's food service business in the fourth quarter of 2008 negatively impacted sales in 2009 compared to 2008 by 0.5% for each of the first three quarters of 2009 and by 0.3% in the fourth quarter of 2009. The extra selling week in the fourth quarter of 2008 negatively impacted sales and same-store sales by approximately 7.0% in the fourth quarter of 2009 compared to 2008. Quarterly sales and same-store sales are also impacted by seasonality and the timing of holidays.

Internal retail food price inflation increased in the third quarter of 2010 compared to deflation in the second quarter of 2010 after it had decreased throughout each of the previous six quarters. Internal retail food price inflation was lower than national food price inflation as measured by CPI throughout each of the last eight quarters. In the fourth quarter of 2009 and the first two quarters of 2010, the Company experienced internal retail food price deflation. CPI increased to 1.3% in the third quarter of 2010 from 0.2% in the second quarter of 2010 when it had decreased from 7.4% in the second quarter of 2009. In the first quarter of 2009 it had increased to 9.0% from 8.4% in the fourth quarter of 2008. This measure of inflation does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores.

Fluctuations in quarterly net earnings reflect the underlying operations of the Company as well as the impact of a number of specific charges including the impact of stock-based compensation including the equity forwards and costs related to the incremental investment in information technology and supply chain. Since the fourth quarter of 2008, quarterly net earnings have benefited from the Company's cost reduction initiatives. Earnings in the fourth quarter of 2009 and the second quarter of 2010 were pressured by investments in pricing. Quarterly net earnings are also affected by seasonality and the timing of holidays. The impact of seasonality is greatest in the fourth quarter and least in the first quarter.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

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

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

On July 18th, 2010 the Company successfully implemented the second phase of its Enterprise Resource Planning system ("ERP"). This implementation resulted in changes to the internal controls over financial reporting during the third quarter of 2010 for the Company's corporate administration functions and general ledger. The changes in controls have materially affected the Company's internal controls over financial reporting related to these areas. Except for the preceding changes, there was no other change in the Company's internal control over financial reporting during the third quarter of 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Enterprise Risks and Risk Management

Detailed descriptions of the operating and financial risks and risk management strategies are included in the Enterprise Risks and Risk Management Section on page 19 of the MD&A as well as note 26 to the Consolidated Financial Statements included in the Company's 2009 Annual Report – Financial Review. The following is an update to those risks and risk management strategies:

Information Technology, Integrity and Reliability To support the current and future requirements of the business in an efficient, cost-effective and well-controlled manner, the Company is reliant on information technology (IT) systems. These systems are essential in providing management with relevant, reliable and accurate information for decision making, including its key performance indicators. Any significant failure or disruption of these systems or the failure to successfully migrate from legacy systems to new systems as part of the Company's significant IT infrastructure initiatives could negatively affect the Company's reputation, ability to carry on business, revenues and financial performance. If the information provided by the information technology systems is inaccurate, the risk of disclosing inaccurate or incomplete information is increased.

The Company has under invested in its IT infrastructure in the past and its systems are in need of upgrading. An IT strategic plan was developed to guide the new systems environment that the Company requires. On July 18, 2010, the Company successfully implemented the second phase of its ERP which involved integrating its general ledger and related reporting for finance across the business and launching additional functionality including its Corporate accounts payable and marketing procurement processes and now has close to 1,000 colleagues working on its new ERP. In addition, at the beginning of September 2010, the Company's next major ERP release related to its merchandising management module began a pilot focusing on two of the Company's smaller Merchandise categories. The Company will roll-out the category management module pilot to additional categories in the fourth quarter of 2010. The Company leveraged this new ERP functionality to successfully close its third quarter reporting period.

The Company is planning for additional system implementations in 2011 to streamline merchandising and operations activities. This is one of the largest technology infrastructure programs ever implemented by the Company and is fundamental to the Company's long-term growth strategies. Completing it will require intense focus and significant investment over the next two years.

Change management risk and other associated risks will arise from the various projects which will be undertaken to upgrade existing systems and introduce new systems to effectively manage the business going forward. Failure by the Company to appropriately invest in information technology or failure to implement information technology infrastructure in a timely or effective manner may negatively impact the Company's financial performance.

Labour Relations A majority of the Company's store level and distribution centre workforce is unionized. Renegotiating collective agreements may result in work stoppages or slowdowns, which could negatively affect the Company's financial performance, depending on their nature and duration. In 2010, 73 collective agreements affecting approximately 35,000 colleagues expire. In the third quarter of 2010, the Company was successful in negotiating the renewal of its major Ontario retail collective agreements including its single largest agreement covering approximately 13,700 colleagues. The Company continues to negotiate the 66 remaining collective agreements carried over from prior years. Although the Company attempts to mitigate work stoppages and disputes through early negotiations, work stoppages or slowdowns remain possible.

Regulatory Beginning in the first quarter of 2010, the provincial governments of Quebec, Ontario, Alberta, Nova Scotia and British Columbia introduced amendments to the regulation of generic prescription drug prices paid by provincial governments pursuant to their respective public drug benefit plans. Under these amendments, manufacturer costs of generic drugs paid by the provincial drug plans will be reduced, and in Ontario, the current system of drug manufacturers paying professional allowances to pharmacies will be eliminated. The amendments also reduce the manufacturer costs of generic drugs purchased out-of-pocket or through private employer drug plans. The Company continues to identify opportunities to mitigate the impact of these amendments, including programs to add new services and enhance existing services to attract customers. The amendments could have a material impact on the financial results of the Company if it is not able to effectively mitigate their negative impact.

Future Accounting Standards

Business Combinations In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1582, "Business Combinations," which will replace Section 1581 of the same title and issued Sections 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests". These standards will harmonize Canadian GAAP with International Financial Reporting Standards ("IFRS"). The amendments establish principles and requirements for determining how an enterprise recognizes and measures the fair value of certain assets and liabilities acquired in a business combination, including non-controlling interests, contingent consideration, and certain acquired contingencies. The amendments also require that acquisition-related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. The impact of implementing these amendments is currently being assessed.

International Financial Reporting Standards

The Canadian Accounting Standards Board requires that all public companies adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As a result, the Company's audited annual consolidated financial statements for the year ended December 31, 2011 will be the first audited annual consolidated financial statements that will be prepared in accordance with the requirements of IFRS. Starting in the first quarter of 2011 the unaudited interim period consolidated financial statements will be prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", including comparative figures for 2010.

Project Status

A detailed description of the Company's IFRS project structure is included in section 13.3 "International Financial Reporting Standards" on page 33 of the 2009 annual MD&A included in the Company's 2009 Annual Report – Financial Review. The following is an update on the project status.

The IFRS conversion project continues to progress. Targeted training regarding anticipated changes resulting from IFRS implementation continues to be provided to appropriate business units and finance colleagues. In addition, the Company has continued its quarterly and additional IFRS information sessions for the Board of Directors providing updates on certain transitional and 2010 quarterly IFRS adjustments and disclosures (including certain preliminary policy choices), implications of IFRS standards to the business, and their impact on the financial statement disclosure. The Company also intends to provide an information session to key external stakeholders regarding the impacts of IFRS in early 2011.

The IFRS conversion project is integrated with the Company's ERP implementation. As ERP phases have been deployed, the Company has ensured that the requirements of IFRS adoption were incorporated. For ERP phases that have not yet been deployed, the Company is ensuring that the requirements of IFRS are identified and incorporated.

The implementation of IFRS is expected to have an impact on certain financial metrics that are used in calculating the Company's financial covenants under certain of its debt agreements. These debt agreements provide for the opportunity to renegotiate the covenants to reflect the impact of the transition to IFRS. The Company has begun preliminary discussions with certain of its lenders to formalize these adjustments. To the extent that the Company and its lenders are unable to agree upon the covenant adjustments, the existing covenants will continue to apply and will be calculated on the basis of Canadian GAAP as it existed prior to the conversion to IFRS.

The Company continues to integrate IFRS into its budgeting and internal reporting processes. In accordance with the Company's transition plan, during the third quarter of 2010, the Company also completed its preliminary Q1 2011 IFRS financial statement format and draft note disclosures.

Key milestones for the remainder of the year are in line with the Company's original plan and include: completion of the opening transitional balance sheet, and compilation of the quarterly financial statements. The Company continues to progress on its IFRS transition plan as previously disclosed.

Changes to the Company's internal controls over financial reporting which include enhancement of existing controls and the design and implementation of new controls, where needed, are in process. At this time the Company expects no material change in internal controls over financial reporting resulting from the adoption and implementation of IFRS.

Changes in Accounting Policies and First-Time Adoption of IFRS

The information below is provided as an update to allow investors and others to obtain a better understanding of the possible effects on the Company's consolidated financial statements and operating performance measures. The changes identified below should not be regarded as a complete list of changes that will result from the transition to IFRS as it is intended to highlight those areas where significant progress has been made and that are believed to be most significant at this point in the project. Readers are cautioned that it may not be appropriate to use such information for any other purpose and the information is subject to change.

The International Accounting Standards Board has significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's consolidated financial statements. Therefore, the Company's analysis of changes and accounting policy decisions have been made based on the accounting standards that are currently in effect. To date, the Company has determined preliminary conclusions for certain policy decisions as discussed below and included on page 33 "International Financial Reporting Standards" section of the MD&A included in the Company's 2009 Annual Report – Financial Review. These preliminary conclusions are contingent on the standards that will be effective at the time of transition.

The Company continues to assess the quantitative impact of certain of the transitional adjustments on the consolidated opening balance sheet and consolidated interim period financial statements as a result of changes in accounting policies as well as certain IFRS 1, "First Time Adoption of IFRS" ("IFRS 1") elections and exemptions. The preliminary impacts provided below represent updates to those provided in the 2009 annual MD&A pertaining to the transitional balance sheet as at January 3, 2010. The Company expects to provide additional updates in its 2010 annual MD&A.

Consolidation IAS 27, "Consolidated and Separate Financial Statements" and Standing Interpretations Committee 12, "Consolidation – Special Purpose Entities" ("IAS 27") assess consolidation using a control model. Under IFRS, the Company will be required to consolidate Eagle Credit Card Trust, the independent trust that funds the purchase of credit card receivables from PC Bank through the issuance of notes, resulting in an increase of approximately $500 million of credit card receivables and related notes before the provision for loan losses. In addition the Company will be required to consolidate the independent funding trust through which franchisees obtain financing. The Company will no longer be required to consolidate certain independent franchisees and other entities providing warehouse and distribution service agreements that were previously consolidated under Canadian GAAP pursuant to the requirements of Accounting Guideline 15, "Consolidation of Variable Interest Entities" ("AcG 15"). Upon implementation of IFRS, the Company expects to record an increase in assets and liabilities. The Company continues to quantify the remaining impact of this standard.

Revenue Under Canadian GAAP each franchise arrangement was evaluated under AcG 15. As a result of the Company no longer consolidating certain independent franchisees the Company was required to evaluate each franchise arrangement under IAS 18, "Revenue" ("IAS 18") at its inception. Based on the guidance in IAS 18, the Company concluded that each franchise arrangement contains separately identifiable components. As a result of this multi-element arrangement the Company was required to determine the fair value of all consideration exchanged including certain loans and receivables. The impact of applying these requirements has resulted in the Company concluding that the fair value of certain consideration was lower than its face value at inception. Furthermore, the Company has made a policy choice to allocate the consideration to each component in the multi-element arrangement, on a relative fair value basis to both the delivered and undelivered components. Upon implementation of IFRS, the Company expects to record a decrease in certain assets and deferred consideration. The Company continues to quantify the impact of this standard.

Financial Instruments Under Canadian GAAP each franchise arrangement was evaluated under AcG 15. IFRS has no concept of a variable interest resulting in certain financial assets no longer being eliminated on consolidation. As a result the Company was required to evaluate certain financial assets relating to the franchise arrangement in accordance with IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39") which required application retrospectively to the inception of each arrangement. The Company's evaluation identified that one or more events that provided objective evidence that the cash flows associated with certain financial assets relating to certain of the franchise arrangements were impaired. Upon implementation of IFRS, the Company expects to record a decrease in certain financial assets. The Company continues to quantify the impact of the above.

IAS 39 contains criteria that are different from Canadian GAAP for the derecognition of financial assets and requires an evaluation of the extent to which an entity retains the risks and rewards of ownership. Under Canadian GAAP these financial assets qualify for sale treatment. The Company has determined that under IFRS securitized credit card receivables will not qualify for derecognition. Upon implementation of IFRS, the Company expects to record an increase in credit card receivables of approximately $1.2 billion, excluding Eagle Trust, before the provision for loan losses with a corresponding increase to liabilities.

IAS 39 requires the incorporation of credit value adjustments in the measurement of effectiveness and ineffectiveness of a hedging relationship. Cross-currency and interest rate swaps were designated as effective cash flow hedging relationships under Canadian GAAP. Certain tranches of the swaps that were part of the hedging relationship have expired in 2010 and will continue to expire up to mid-2011. The Company has concluded to not assess hedge effectiveness under IFRS which will result in de-recognition at the date of transition to IFRS. Upon implementation of IFRS, the Company expects to record a transitional adjustment of approximately $17 million from accumulated other comprehensive income to retained earnings within shareholders' equity.

Segments IFRS 8, "Operating Segments" is substantially converged with Canadian GAAP, however with the combined impact of IAS 39, resulting in securitized credit card receivables not qualifying for derecognition and the impact of IAS 27, resulting in the consolidation of Eagle Credit Card Trust, *PC Financial* will now meet the quantitative threshold and become a reportable segment under IFRS.

Employee Benefits IAS 19, "Employee Benefits", provides a policy choice regarding recognition of actuarial gains and losses for defined benefit pension plans and other defined benefit plans, permitting deferred recognition using the corridor method or immediate recognition in either other comprehensive income within shareholders' equity or through earnings. Under Canadian GAAP the Company applies the corridor method. Upon implementation of IFRS, the Company currently intends to recognize actuarial gains and losses immediately through other comprehensive income within shareholders' equity for defined benefit pension plans and other defined benefit plans and through earnings for other long term employee benefits.

In addition, IFRS 1 provides an optional election which the Company expects to apply that will result in the recognition of all cumulative actuarial gains and losses through retained earnings on transition to IFRS. The Company's choice must be applied to all defined benefit pension plans, other defined benefit plans and other long term employee benefits consistently. As a result of this election the Company has engaged its external actuaries to quantify this amount and will reclassify the unamortized net actuarial loss to retained earnings on transition to IFRS.

Share-based Payments IFRS 2, "Share-Based Payments", requires that cash-settled stock-based compensation be measured based on fair value of the awards. Canadian GAAP requires that such compensation be measured based on the intrinsic values of the awards. This difference is expected to impact the accounting measurement of the Company's stock options, restricted share units and deferred share units. Upon implementation of IFRS, the Company expects to record a transitional adjustment to decrease shareholders' equity of approximately $10 million.

Property, Plant and Equipment IAS 16, "Property, Plant and Equipment", provides specific guidance such that when an individual component of an item within property, plant and equipment is replaced and capitalized, the replaced component of the original asset must be de-recognized even if the replacement part was not originally componentized. In addition IFRS is more prescriptive with respect to eligible costs such as site-dismantling and restoration costs. Upon implementation of IFRS, the Company expects to record a transitional adjustment to decrease shareholders' equity of approximately $60 million.

Impairment of Assets IAS 36, "Impairment of Assets", requires that assets be tested for impairment at the level of cash generating units ("CGU"), which are defined as the lowest level of assets that generate largely independent cash inflows. The Company has completed its analysis and concluded that the CGU will predominantly be an individual store compared to Canadian GAAP where store net cash flows are grouped together by primary market areas, where they are largely dependent on each other. The Company has completed its preliminary assessment of the events triggering potential impairments and reversal of impairments. On transition the Company expects to record a reduction in assets and a reduction in shareholders' equity. The Company continues to quantify the impact of this standard.

Leases IAS 17, "Leases", requires the allocation of minimum lease payments between the land and building elements of a lease to be in proportion to the relative fair values of the leasehold interests in the land and building, whereas under Canadian GAAP it is based on the fair value of the land and building in aggregate. In addition, IFRS permits the immediate recognition of gains and losses on sale leaseback transactions which result in an operating lease, provided that the transaction is established at fair value. Under Canadian GAAP, gains and losses are generally deferred and amortized in proportion to the lease payments over the lease term. Upon implementation of IFRS, the Company expects to record additional finance leases on the balance sheet. The Company continues to quantify the impact of this standard.

Customer Loyalty Programs International Financial Reporting Interpretations Committee 13, "Customer Loyalty Programs", requires the fair value of loyalty programs to be recognized as a separate component of the initial sales transaction. The Company will be required to defer a portion of the initial sales transaction in which the awards are granted. The Company has made a policy choice to defer portion of the sales transaction on the relative fair value of the awards granted. Under Canadian GAAP, the Company recognizes the net cost of the program in operating expenses. Upon implementation of IFRS, the Company expects to record a transitional adjustment to decrease shareholders' equity by approximately $15 million.

Borrowing Costs IAS 23 "Borrowing Costs" ("IAS 23") requires the capitalization of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. IFRS 1 provides an election to permit application of the requirements of IAS 23 prospectively from the date of transition. The Company intends to apply this election prospectively and apply IAS 23 from the date of transition. Upon implementation of IFRS, the Company expects to record a transitional adjustment to decrease shareholders' equity by approximately $200 million.

Outlook(1)

The Company continues to make progress towards the final stages of its overall renewal program. As a result of buying efficiencies related to its information technology and infrastructure initiatives and adjustments to the timing of certain phases of those initiatives, the Company now expects the impact to 2010 operating income of the incremental infrastructure and information technology costs to be between $140 million and $145 million. This is lower than the previously anticipated impact of $185 million. The costs and risks associated with these investments combined with deflationary pressures and heightened competition will continue to challenge sales and margins.

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, PC Bank.

Non-GAAP Financial Measures

The Company uses the following non-GAAP financial measures: EBITDA and EBITDA margin, net debt, rolling year net debt to EBITDA, net debt to equity and rolling year return on average net assets. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below. These measures do not have a standardized meaning prescribed by Canadian GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies, and 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 interim period consolidated statements of earnings for the sixteen and forty week periods ended October 9, 2010 and October 10, 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.

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

EBITDA margin is calculated as EBITDA divided by sales.

($ millions)	2010 (16 weeks)	2009 (16 weeks)	2010 (40 weeks)	2009 (40 weeks)
Net earnings	**$ 213**	$ 189	**$ 530**	$ 491
Add (deduct) impact of the following:				
Minority interest	**10**	4	**14**	2
Income taxes	**89**	101	**226**	230
Interest expense and other financing charges	**78**	84	**210**	205
Operating income	**390**	378	**980**	928
Add impact of the following:				
Depreciation and amortization	**201**	179	**502**	446
EBITDA	**$ 591**	$ 557	**$ 1,482**	$ 1,374

Net Debt The following table reconciles net debt used in the net debt to equity and the rolling year net debt to EBITDA ratios to Canadian GAAP measures reported as at the periods ended as indicated. The Company calculates net debt as the sum of bank indebtedness, short term debt, long term debt, certain other liabilities and the fair value of financial derivatives less cash and cash equivalents, short term investments, security deposits included in other assets and the fair value of financial derivatives. The Company believes that this measure is useful in assessing the amount of financial leverage employed.

($ millions)	As at October 9, 2010	As at October 10, 2009	As at January 2, 2010
Bank indebtedness	**$ 1**	$ 1	$ 2
Long term debt due within one year	**407**	342	343
Long term debt	**4,183**	4,056	4,162
Other liabilities	**37**	36	36
Fair value of financial derivatives related to the above	**37**	85	58
	4,665	4,520	4,601
Less: Cash and cash equivalents	**1,281**	1,164	993
Short term investments	**327**	206	397
Security deposits included in other assets	**350**	276	250
Fair value of financial derivatives related to the above	**178**	193	178
	2,136	1,839	1,818
Net debt	**$ 2,529**	$ 2,681	$ 2,783

The Second Preferred Shares, Series A are classified as capital securities and are excluded from the calculation of net debt. For the purpose of calculating net debt, fair value of financial derivatives is not credit value adjusted in accordance with Emerging Issues Committee ("EIC") 173. As at October 9, 2010, the credit value adjustment was a loss of $4 million (October 10, 2009 – $5 million; January 2, 2010 – $4 million).

Net Assets The following table reconciles net assets used in the rolling year return on average net assets ratio to Canadian GAAP measures reported as at the periods ended as indicated. The Company believes that the rolling year return on average net assets is useful in assessing the return on productive assets.

Net assets is calculated as total assets less cash and cash equivalents, short term investments, security deposits included in other assets and accounts payable and accrued liabilities.

($ millions)	**As at October 9, 2010**	As at October 10, 2009	As at January 2, 2010
Canadian GAAP total assets	**$ 15,498**	$ 14,672	$ 14,991
Less: Cash and cash equivalents	**1,281**	1,164	993
Short term investments	**327**	206	397
Security deposits included in other assets	**350**	276	250
Accounts payable and accrued liabilities	**3,171**	3,177	3,279
Net assets	**$ 10,369**	$ 9,849	$ 10,072

Equity The following table reconciles equity used in the net debt to equity ratio to Canadian GAAP measures reported as at the periods ended.

Equity is calculated as the sum of capital securities and shareholder's equity.

($ millions)	**As at October 9, 2010**	As at October 10, 2009	As at January 2, 2010
Capital securities	**$ 220**	$ 219	$ 220
Shareholders' equity	**6,745**	6,179	6,273
Equity	**$ 6,965**	$ 6,398	$ 6,493

Consolidated Statements of Earnings

(unaudited)

For the periods ended October 9, 2010 and October 10, 2009 ($ millions except where otherwise indicated)	**2010** **(16 weeks)**	2009 (16 weeks)	**2010** **(40 weeks)**	2009 (40 weeks)
Sales	**$ 9,593**	$ 9,473	**$ 23,836**	$ 23,424
Cost of Merchandise Inventories Sold (note 10)	**7,276**	7,308	**18,006**	17,956
Gross Profit	**2,317**	2,165	**5,830**	5,468
Operating Expenses				
Selling and administrative expenses (note 4)	**1,726**	1,608	**4,348**	4,094
Depreciation and amortization	**201**	179	**502**	446
	1,927	1,787	**4,850**	4,540
Operating Income	**390**	378	**980**	928
Interest expense and other financing charges (note 5)	**78**	84	**210**	205
Earnings before Income Taxes and Minority Interest	**312**	294	**770**	723
Income taxes (note 6)	**89**	101	**226**	230
Net Earnings before Minority Interest	**223**	193	**544**	493
Minority interest	**10**	4	**14**	2
Net Earnings	**$ 213**	$ 189	**$ 530**	$ 491
Net Earnings Per Common Share ($) (note 7)				
Basic	**$ 0.77**	$ 0.69	**$ 1.91**	$ 1.79
Diluted	**$ 0.76**	$ 0.69	**$ 1.90**	$ 1.79

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

Consolidated Statements of Changes in Shareholders' Equity

(unaudited)

For the periods ended October 9, 2010 and October 10, 2009 ($ millions except where otherwise indicated)	**2010** **(40 weeks)**	2009 (40 weeks)
Common Share Capital, Beginning of Period	**$ 1,308**	$ 1,196
Common shares issued (note 13)	**125**	79
Common Share Capital, End of Period	**$ 1,433**	$ 1,275
Retained Earnings, Beginning of Period	**$ 4,948**	$ 4,577
Cumulative impact of implementing new accounting standards (note 2)	**–**	(6)
Net earnings	**530**	491
Dividends declared per common share – 63¢ (2009 – 63¢) (note 13)	**(175)**	(173)
Retained Earnings, End of Period	**$ 5,303**	$ 4,889
Accumulated Other Comprehensive Income, Beginning of Period	**$ 17**	$ 30
Cumulative impact of implementing new accounting standards (note 2)	**–**	(2)
Other comprehensive loss	**(8)**	(13)
Accumulated Other Comprehensive Income, End of Period (note 15)	**$ 9**	$ 15
Total Shareholders' Equity	**$ 6,745**	$ 6,179

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

Consolidated Statements of Comprehensive Income

(unaudited)

For the periods ended October 9, 2010 and October 10, 2009 ($ millions)	**2010** **(16 weeks)**	2009 (16 weeks)	**2010** **(40 weeks)**	2009 (40 weeks)
Net earnings	**$ 213**	$ 189	**$ 530**	$ 491
Other comprehensive income, net of income taxes				
Net unrealized loss on available-for-sale financial assets	**(5)**	(12)	**(10)**	(23)
Reclassification of net loss (gain) on available-for-sale financial assets to net earnings	**1**	16	**9**	(8)
	(4)	4	**(1)**	(31)
Net (loss) gain on derivatives designated as cash flow hedges	**1**	(2)	**(1)**	4
Reclassification of net (gain) loss on derivatives designated as cash flow hedges to net earnings	**–**	(2)	**(6)**	14
	1	(4)	**(7)**	18
Other comprehensive loss	**(3)**	–	**(8)**	(13)
Total Comprehensive Income	**$ 210**	$ 189	**$ 522**	$ 478

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

Consolidated Balance Sheets

($ millions)	As at October 9, 2010 (unaudited)	As at October 10, 2009 (unaudited)	As at January 2, 2010 (audited)
Assets			
Current Assets			
Cash and cash equivalents (note 8)	**$ 1,281**	$ 1,164	$ 993
Short term investments	**327**	206	397
Accounts receivable (note 9)	**593**	583	774
Inventories (note 10)	**2,167**	2,163	2,112
Income taxes	**–**	23	–
Future income taxes	**48**	34	38
Prepaid expenses and other assets	**107**	139	92
Total Current Assets	**4,523**	4,312	4,406
Fixed Assets	**8,853**	8,283	8,559
Goodwill and Intangible Assets (note 3)	**1,032**	1,005	1,026
Other Assets	**1,090**	1,072	1,000
Total Assets	**$ 15,498**	$ 14,672	$ 14,991
Liabilities			
Current Liabilities			
Bank indebtedness	**$ 1**	$ 1	$ 2
Accounts payable and accrued liabilities	**3,171**	3,177	3,279
Income taxes payable	**36**	–	41
Long term debt due within one year (note 12)	**407**	342	343
Total Current Liabilities	**3,615**	3,520	3,665
Long Term Debt (note 12)	**4,183**	4,056	4,162
Other Liabilities	**540**	483	497
Future Income Taxes	**161**	193	143
Capital Securities	**220**	219	220
Minority Interest	**34**	22	31
Total Liabilities	**8,753**	8,493	8,718
Shareholders' Equity			
Common Share Capital (note 13)	**1,433**	1,275	1,308
Retained Earnings	**5,303**	4,889	4,948
Accumulated Other Comprehensive Income (note 15)	**9**	15	17
Total Shareholders' Equity	**6,745**	6,179	6,273
Total Liabilities and Shareholders' Equity	**$ 15,498**	$ 14,672	$ 14,991

Contingencies, commitments and guarantees (note 16).

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

Consolidated Cash Flow Statements
(unaudited)

For the periods ended October 9, 2010 and October 10, 2009 ($ millions)	**2010** **(16 weeks)**	2009 (16 weeks)	**2010** **(40 weeks)**	2009 (40 weeks)
Operating Activities				
Net earnings before minority interest	**$ 223**	$ 193	**$ 544**	$ 493
Depreciation and amortization	**201**	179	**502**	446
Future income taxes	**20**	1	**8**	4
Settlement of equity forward contracts (note 14)	**–**	–	**–**	(38)
Change in non-cash working capital	**95**	467	**(179)**	409
Other	**48**	15	**116**	16
Cash Flows from Operating Activities	**587**	855	**991**	1,330
Investing Activities				
Fixed asset purchases	**(462)**	(284)	**(827)**	(606)
Short term investments	**(6)**	91	**56**	(13)
Proceeds from fixed asset sales	**21**	4	**37**	10
Credit card receivables, after securitization (note 9)	**21**	28	**145**	236
Business acquisitions – net of cash acquired (note 3)	**–**	(194)	**–**	(194)
Franchise investments and other receivables	**(20)**	5	**(13)**	(4)
Security deposits and other	**(123)**	(13)	**(94)**	76
Cash Flows used in Investing Activities	**(569)**	(363)	**(696)**	(495)
Financing Activities				
Bank indebtedness	**(7)**	–	**(1)**	(51)
Short term debt	**–**	–	**–**	(190)
Long term debt				
Issued (note 12)	**28**	10	**405**	370
Retired (note 12)	**(20)**	(18)	**(342)**	(157)
Dividends (note 13)	**(33)**	(36)	**(50)**	(94)
Cash Flows from (used in) Financing Activities	**(32)**	(44)	**12**	(122)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(6)**	(54)	**(19)**	(77)
Change in Cash and Cash Equivalents	**(20)**	394	**288**	636
Cash and Cash Equivalents, Beginning of Period	**1,301**	770	**993**	528
Cash and Cash Equivalents, End of Period	**$ 1,281**	$ 1,164	**$ 1,281**	$ 1,164

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 2009 audited annual consolidated financial statements and related notes for the year ended January 2, 2010 contained in the Annual Report – Financial Review ("2009 Annual Report"). 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 2009 Annual Report.

Basis of Consolidation The unaudited consolidated interim financial statements include the accounts of Loblaw Companies Limited and its subsidiaries, collectively referred to as the "Company". 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 VIEs' expected losses or that entitle it to receive a majority of the VIEs' expected residual returns or both.

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

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 and intangible assets, income and other 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 consolidated financial statements. 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.

Future Accounting Standards

Business Combinations In January 2009, the CICA issued Section 1582, "Business Combinations," which will replace Section 1581 of the same title and issued Sections 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests". These standards will harmonize Canadian GAAP with International Financial Reporting Standards. The amendments establish principles and requirements for determining how an enterprise recognizes and measures the fair value of certain assets and liabilities acquired in a business combination, including non-controlling interests, contingent consideration, and certain acquired contingencies. The amendments also require that acquisition-related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. The impact of implementing these amendments is currently being assessed.

Note 2. Implementation of New Accounting Standards

Accounting Standards Implemented in 2009

Goodwill and Intangible Assets In November 2007, the CICA issued amendments to Section 1000 "Financial Statement Concepts", and Accounting Guideline 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 ("EIC") 27 "Revenues and Expenditures During the Pre-operating Period" to not apply to entities that have adopted Section 3064. These amendments, in conjunction with Section 3064, provide guidance for the recognition of intangible assets, including internally developed assets from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The Company implemented these requirements effective 2009, retroactively with restatement of comparative periods.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities On January 20, 2009 EIC 173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" was issued. The committee reached a consensus that a company's credit risk and the credit risk of its counterparties should be considered when determining the fair value of its financial assets and financial liabilities, including derivative instruments. The transitional provisions require the abstract to be applied retrospectively without restatement of prior periods. Financial assets and financial liabilities, including derivative instruments, have been remeasured as at January 4, 2009 to take into account the appropriate Company's credit risk and counterparty credit risk. As a result, a decrease in other assets of $12, a decrease in other liabilities of $4, a decrease net of income taxes in accumulated other comprehensive income of $2 and a decrease in retained earnings of $6 were recorded in the consolidated balance sheet.

Financial Instruments – Disclosures In June 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures," to include additional disclosure relating to the measurement of fair value for financial instruments and liquidity risk. The amendment establishes a three level hierarchy that reflects the significance of the inputs used in fair value measurements on financial instruments. The amendment is effective for annual financial statements relating to fiscal years ending after September 30, 2009, and was implemented by the Company as part of the 2009 Annual Report. See note 2 of the 2009 Annual Report for more information.

Note 3. Business Acquisitions

In the first quarter of 2010, the Company finalized the purchase price allocation related to the acquisition of T&T Supermarket Inc. acquired in the third quarter of 2009 which resulted in a reduction of goodwill of $2.

Note 4. Distribution Network Costs

On April 27, 2010, the Company announced changes to its distribution network in Quebec. In connection with these changes a certain distribution centre was closed and an asset impairment charge in the third quarter of 2010 of $3 and $26 year-to-date was recorded as the carrying value of the facility exceeded the fair value. In addition, employee termination charges and other costs of $16 were incurred. As at October 9, 2010, $10 was recorded on the consolidated balance sheet in accounts payable and accrued liabilities related to these charges.

Note 5. Interest Expense and Other Financing Charges

	2010 (16 weeks)	2009 (16 weeks)	2010 (40 weeks)	2009 (40 weeks)
Interest on long term debt	**$ 89**	$ 88	**$ 222**	$ 215
Interest (income) expense on financial derivative instruments	**(6)**	1	**(3)**	2
Net short term interest income	**(3)**	(2)	**(4)**	(5)
Interest income on security deposits	**–**	(1)	**–**	(2)
Dividends on capital securities	**4**	4	**11**	11
Capitalized to fixed assets	**(6)**	(6)	**(16)**	(16)
Interest expense	**$ 78**	$ 84	**$ 210**	$ 205

Interest and dividends on capital securities paid in the third quarter of 2010 was $90 (2009 – $75), and interest received was $17 (2009 − $13). Interest and dividends on capital securities paid year-to-date was $271 (2009 – $265) and interest received year-to-date was $40 (2009 – $57).

Note 6. Income Taxes

The effective income tax rate in the third quarter of 2010 was 28.5% (2009 – 34.4%) and 29.4% (2009 – 31.8%) year-to-date. The quarter over quarter decrease in the effective income tax rate was primarily due to a decrease in the income tax accruals relating to certain prior year income tax matters and the change in the proportions of taxable income earned across different tax jurisdictions. The year over year decrease in the effective income tax rate was primarily due to the proportions of taxable income earned across different tax jurisdictions and a decrease in the income tax accruals relating to certain prior year income tax matters.

Net income taxes paid in the third quarter were $61 (2009 – $60), and $217 (2009 – $184) year-to-date.

Note 7. Basic and Diluted Net Earnings per Common Share ($, except where otherwise indicated)

	2010 (16 weeks)	2009 (16 weeks)	2010 (40 weeks)	2009 (40 weeks)
Net earnings ($ millions)	**$ 213**	$ 189	**$ 530**	$ 491
Dividends on capital securities ($ millions)	**4**	4	**11**	11
Net earnings for diluted earnings per share ($ millions)	**217**	193	**541**	502
Weighted average common shares outstanding (in millions)	**278.4**	275.3	**277.4**	274.6
Dilutive effect of stock-based compensation (in millions)	**0.7**	0.2	**0.6**	0.2
Dilutive effect of capital securities (in millions)	**5.8**	6.2	**5.8**	6.2
Dilutive effect of certain other liabilities (in millions)	**0.9**	–	**0.9**	–
Diluted weighted average common shares outstanding (in millions)	**285.8**	281.7	**284.7**	281.0
Basic net earnings per common share ($)	**$ 0.77**	$ 0.69	**$ 1.91**	$ 1.79
Diluted net earnings per common share ($)	**$ 0.76**	$ 0.69	**$ 1.90**	$ 1.79

Stock options outstanding with an exercise price greater than the market price of the Company's common shares at the end of the third quarter were not recognized in the computation of diluted net earnings per common share. Accordingly, in the third quarter of 2010, 2,787,688 (2009 – 4,223,744) stock options, with a weighted average exercise price of $52.76 (2009 – $52.26) per common share, were excluded from the computation of diluted net earnings per common share.

Note 8. Cash and Cash Equivalents

The components of cash and cash equivalents were as follows:

	As at October 9, 2010	As at October 10, 2009	As at January 2, 2010
Cash	**$ 130**	$ 107	$ 219
Cash equivalents − short term investments with a maturity of 90 days or less:			
Bank term deposits	**645**	548	385
Government treasury bills	**218**	232	168
Government-sponsored debt securities	**76**	102	40
Corporate commercial paper	**212**	175	181
Cash and cash equivalents	**$ 1,281**	$ 1,164	$ 993

In the third quarter of 2010, the Company recognized an unrealized foreign currency exchange loss of $10 (2009 − $93) and $39 (2009 – $156) year-to-date as a result of translating United States dollar denominated cash and cash equivalents, short term investments and security deposits, of which a loss of $6 (2009 − $54) in the quarter and $19 (2009 – $77) year-to-date related to cash and cash equivalents. The resulting quarter and year-to-date loss on cash and cash equivalents, short term investments and security deposits was partially offset in operating income and other comprehensive income by the unrealized foreign currency exchange gains of $10 (2009 – $93) in the quarter and $39 (2009 – $155) year-to-date on the cross currency swaps.

Note 9. Accounts Receivable

The components of accounts receivable were as follows:

	As at October 9, 2010	As at October 10, 2009	As at January 2, 2010
Credit card receivables	**$ 1,875**	$ 1,955	$ 2,128
Amount securitized	**(1,635)**	(1,775)	(1,725)
Net credit card receivables	**240**	180	403
Other receivables	**353**	403	371
Accounts receivable	**$ 593**	$ 583	$ 774

Credit Card Receivables President's Choice Bank ("PC Bank") participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. Under these securitization programs, a portion of the total interest in the credit card receivables is sold to independent trusts pursuant to co-ownership agreements. PC Bank purchases receivables from and sells receivables to the trusts from time to time depending on PC Bank's financing requirements. In the third quarter of 2010, PC Bank accumulated $150 of collections that will be used in the fourth quarter to repurchase a portion of its co-ownership interest in securitized receivables from two of the independent trusts. A portion of the securitized receivables that is held by an independent trust facility was also renewed for two years during the third quarter of 2010. During the first quarter of 2010, PC Bank also repurchased $90 of co-ownership interest in securitized receivables from an independent trust.

The independent trusts' recourse to PC Bank's assets is limited to PC Bank's excess collateral of $114 as at October 9, 2010 (October 10, 2009 – $124; January 2, 2010 – $121) as well as standby letters of credit issued as at October 9, 2010 of $103 (October 10, 2009 – $116; January 2, 2010 – $116) based on a portion of the securitized amount.

Other Receivables Other receivables consist mainly of receivables from independent franchisees, associated stores and independent accounts.

Note 10. Inventories

For inventories recorded as at October 9, 2010, the Company recorded $13 (October 10, 2009 – $15) as an expense for the write-down of inventories below cost to net realizable value.

Note 11. Employee Future Benefits

The Company's total net benefit plan cost recognized in operating income was $61 (2009 – $56) for the third quarter and $148 (2009 – $141) year-to-date. 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. Long Term Debt

During the second quarter of 2010, the Company issued $350 principal amount of unsecured Medium Term Notes, Series 2-B pursuant to its Medium Term Notes, Series 2 program. The Series 2-B notes pay a fixed rate of interest of 5.22% payable semi-annually commencing on December 18, 2010 until maturity on June 18, 2020. During the second quarter of 2009, the Company issued $350 principal amount of unsecured Medium Term Notes, Series 2-A which pay a fixed rate of interest of 4.85% payable semi-annually. The Series 2-A and 2-B notes are subject to certain covenants and are unsecured obligations of Loblaw and rank equally with all the unsecured indebtedness that has not been subordinated. The Series 2-A and 2-B notes may be redeemed at the option of the Company, in whole at any time or in part from time to time, upon not less than 30 days and not more than 60 days notice to the holders of the notes.

During the second quarter of 2010, the $300 7.10% Medium Term Note matured and was repaid. In the first quarter of 2009, the $125 5.75% Medium Term Note matured and was repaid.

As at October 9, 2010, $303 (USD $300) of fixed rate notes was recorded in long term debt on the consolidated balance sheet.

Note 13. Share Capital ($, except where otherwise indicated)

Common Share Capital At the end of the third quarter of 2010, the Company's outstanding common share capital was comprised of common shares, an unlimited number of which were authorized and 279,501,896 (October 10, 2009 – 276,635,333; January 2, 2010 – 276,188,258) were issued and outstanding.

Dividends During the third quarter of 2010, the Board of Directors declared dividends of $0.21 (2009 – $0.21) with a payment date of October 1, 2010, and $0.63 (2009 – $0.63) year-to-date per common share. In addition, during the third quarter of 2010 dividends of $0.37 (2009 – $0.37) and $1.12 (2009 – $1.12) year-to-date per Second Preferred Share, Series A were declared with a payment date of October 31, 2010. For financial statement presentation purposes, second preferred share dividends of $4 million (2009 – $4 million) and $11 million (2009 – $11 million) are included for the sixteen and forty weeks ended October 9, 2010, respectively, as a component of interest expense and other financing charges on the Consolidated Statement of Earnings (see note 5). Subsequent to the end of the third quarter of 2010, the Board of Directors declared a quarterly dividend of $0.21 per common share payable December 30, 2010, and a quarterly dividend of $0.37 per Second Preferred Share, Series A, payable January 31, 2011.

Dividend Reinvestment Plan ("DRIP") During the third quarter of 2010, the Company issued 2,193,185 (2009 – 2,461,769) common shares and year-to-date 3,313,638 (2009 – 2,461,769) common shares from treasury under the DRIP at a three percent (3%) discount to market resulting in an increase in common share capital of approximately $84 million (2009 – $79 million) in the quarter and $125 million (2009 – $79 million) year-to-date.

Normal Course Issuer Bid ("NCIB") During the second quarter of 2010, the Company renewed its NCIB to purchase on the Toronto Stock Exchange, or to enter into equity derivatives to purchase, up to 13,865,435 of the Company's common shares, representing approximately 5% of the common shares outstanding. In accordance with the requirements of the Toronto Stock Exchange, any purchases must be at the then market price of such shares. The Company did not purchase any shares under its NCIB during the first three quarters of 2010.

Note 14. Stock-Based Compensation ($, except where otherwise indicated)

The Company's net stock-based compensation cost recognized in operating income related to its stock option and restricted share unit plans, including Glenhuron Bank Limited's ("Glenhuron") equity forwards, was:

($ millions)	**October 9, 2010 (16 weeks)**	October 10, 2009 (16 weeks)	**October 9, 2010 (40 weeks)**	October 10, 2009 (40 weeks)
Stock option plan expense (income)	**$ 7**	$ (5)	**$ 30**	$ (2)
Equity forwards (income) loss	**(2)**	8	**(12)**	13
Restricted share unit plan expense	**5**	2	**12**	6
Net stock-based compensation expense	**$ 10**	$ 5	**$ 30**	$ 17

Stock Option Plan The following is a summary of the Company's stock option activity:

Number of options	**October 9, 2010 (16 weeks)**	October 10, 2009 (16 weeks)	**October 9, 2010 (40 weeks)**	October 10, 2009 (40 weeks)
Outstanding options, beginning of period	**9,585,006**	9,560,681	**9,207,816**	7,892,660
Granted	**21,782**	44,032	**2,510,877**	2,709,647
Exercised	**(138,836)**	(34,950)	**(563,811)**	(116,358)
Forfeited/cancelled	**(119,314)**	(308,218)	**(1,806,244)**	(1,224,404)
Outstanding options, end of period	**9,348,638**	9,261,545	**9,348,638**	9,261,545
Share appreciation value paid ($ millions)	**$ 2**	$ 1	**$ 5**	$ 1

Stock options were granted in the third quarter of 2010 at an exercise price of $43.42 (2009 – $34.31).

At the end of the third quarter of 2010, the outstanding stock options represented approximately 3.3% (2009 – 3.3%) 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 third quarter was $40.87 (2009 − $31.54).

Equity Forward Contracts As at October 9, 2010, Glenhuron had equity forward contracts to buy 1.5 million (October 10, 2009 – 3.2 million; January 2, 2010 – 1.5 million) of the Company's common shares at an average forward price of $56.27 (October 10, 2009 – $53.76; January 2, 2010 – $66.25) including $0.05 (October 10, 2009 – $9.14; January 2, 2010 – $10.03) per common share of interest expense. As at October 9, 2010, the interest and unrealized market loss of $23 million (October 10, 2009 – $71 million; January 2, 2010 – $48 million) was included in accounts payable and accrued liabilities. In the second quarter of 2009, Glenhuron paid $38 million to terminate a portion of the equity forwards representing 1.6 million shares which led to the extinguishment of a corresponding portion of the associated liability.

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

Number of Awards	**October 9, 2010 (16 weeks)**	October 10, 2009 (16 weeks)	**October 9, 2010 (40 weeks)**	October 10, 2009 (40 weeks)
RSUs, beginning of period	**1,081,909**	997,618	**973,351**	829,399
Granted	**2,590**	13,373	**375,315**	442,460
Cancelled	**(12,513)**	(20,537)	**(104,916)**	(94,070)
Cash settled	**(12,073)**	(12,585)	**(183,837)**	(199,920)
RSUs, end of period	**1,059,913**	977,869	**1,059,913**	977,869
RSUs Cash Settled ($ millions)	**$ 1**	$ 1	**$ 7**	$ 7

Note 15. Accumulated Other Comprehensive Income

The following table provides further detail regarding the composition of accumulated other comprehensive income:

	40 weeks ended					
	October 9, 2010			October 10, 2009		
	Cash Flow Hedges	**Available-for-sale Assets**	**Total**	Cash Flow Hedges	Available-for-sale Assets	Total
Balance, beginning of period	**$ 22**	**$ (5)**	**$ 17**	$ 14	$ 16	$ 30
Cumulative impact of implementing new accounting standards [net of income taxes recovered of nil (2009 − $1)] (see note 2)	**–**	**–**	**–**	(2)	–	(2)
Net unrealized loss on available-for-sale financial assets [net of income taxes of nil (2009 − $1)]	**–**	**(10)**	**(10)**	–	(23)	(23)
Reclassification of net loss (gain) on available-for-sale financial assets [net of income taxes recovered of nil (2009 − $3)]	**–**	**9**	**9**	–	(8)	(8)
Net (loss) gain on derivatives designated as cash flow hedges [net of income taxes recovered of $1 (2009 – $8)]	**(1)**	**–**	**(1)**	4	–	4
Reclassification of net (gain) loss on derivatives designated as cash flow hedges [net of income taxes recovered of $2 (2009 – $6)]	**(6)**	**–**	**(6)**	14	–	14
Balance, end of period	**$ 15**	**$ (6)**	**$ 9**	$ 30	$ (15)	$ 15

Note 16. 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. The trusts are administered by a major Canadian chartered bank.

The gross principal amount of loans issued to the Company's independent franchisees by the independent funding trusts as at October 9, 2010 was $395 (October 10, 2009 – $377; January 2, 2010 – $390) including $188 (October 10, 2009 – $143; January 2, 2010 – $163) of loans payable by VIEs consolidated by the Company. The Company has agreed to provide credit enhancement of $66 (October 10, 2009 – $66; January 2, 2010 – $66) in the form of a standby letter of credit for the benefit of the independent funding trust representing not less than 15% (October 10, 2009 – 15%) of the principal amount of the loans outstanding. The standby letter of credit has never been drawn upon.

During the second quarter of 2010, the $475 million, 364-day revolving committed credit facility that is the source of funding to the independent trusts was renewed. The financing structure has been reviewed and the Company has determined there were no additional VIEs to consolidate as a result of this financing.

Standby Letters of Credit Standby letters of credit for the benefit of independent trusts with respect to the credit card receivables securitization program of PC Bank have been issued by major Canadian chartered banks. These standby letters of credit could be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables. The Company has agreed to reimburse the issuing banks for any amount drawn on the standby letters of credit. The aggregate gross potential liability under these arrangements, which represents 9% (October 10, 2009 – 9%; January 2, 2010 – 9%) on a portion of the securitized credit card receivables amount, is approximately $103 (October 10, 2009 – $116; January 2, 2010 – $116) (see note 9).

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.

Corporate Profile

Loblaw Companies Limited, a subsidiary of George Weston Limited, is Canada's largest food distributor and a leading provider of drugstore, general merchandise and financial products and services. Loblaw is one of the largest private sector employers in Canada, with over 138,000 full-time and part-time employees executing its business strategy in more than 1,000 corporate and franchised stores from coast to coast. Through its portfolio of store formats, Loblaw is committed to providing Canadians with a wide, growing and successful range of products and services to meet the everyday household demands of Canadian consumers. Loblaw is known for the quality, innovation and value of its food offering. It offers Canada's strongest control (private) label program, including the unique *President's Choice*, *no name* and *Joe Fresh* brands. In addition, through its subsidiaries, the Company makes available to consumers President's Choice Financial services and offers the *PC* points loyalty program.

The Company's mission is to be Canada's best food, health and home retailer by exceeding customer expectations through innovative products at great prices. The Company initiated renewal plans three years ago to achieve its mission by transforming into a centralized marketing-led organization focused on customers, value, innovative and fresh products and stores, while leveraging its scale and asset base to drive profitable growth.

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.

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To change your address or eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare Investor Services Inc.

Investor Relations

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

Additional financial 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 [www.loblaw.ca].

Dividend Reinvestment Program

Loblaw Companies Limited offers a Dividend Reinvestment Plan ("DRIP") that enables eligible shareholders of common shares to automatically reinvest their regular quarterly dividends in additional common shares of the Company.

The full text of the DRIP and an enrolment form are available on the website of the Company's Transfer Agent, Computershare Trust Company of Canada, at www.computershare.com/loblaw.

Shareholders wishing to participate in the DRIP must obtain and sign an enrolment form and return it to the Company's Transfer Agent at the following address prior to the cut-off for the 2010 fourth quarter, which is the close of business on December 10, 2010.

Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario
M5J 2Y1
1-800-564-6253

Beneficial shareholders who hold their shares through a nominee, such as a broker or investment dealer, and who wish to participate in the DRIP should contact their nominee to enquire about enrolment.

Before participating, shareholders are advised to read the complete text of the DRIP and to consult their advisors regarding potential tax implications. At present, only Canadian residents may participate.

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on November 17, 2010 at 11:00am (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: 14992440. To access via audio webcast please visit the "Investor Zone" section of www.loblaw.ca. Pre-registration will be available.

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

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