COMPANIES LIMITED
LES COMPAGNIES LOBLAW LIMITÉE

NEWS RELEASE

Loblaw Companies Limited Reports 2008 Fourth Quarter and Fiscal Year Ended January 3, 2009 Results.(1)

BRAMPTON, ONTARIO February 18, 2009 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") today announced its unaudited financial results for the fourth quarter and fiscal year ended January 3, 2009.

2008 Fourth Quarter Summary

For the periods ended January 3, 2009 and December 29, 2007 (unaudited) ($ millions except where otherwise indicated)	2008 (13 weeks)	2007 (12 weeks)	Change	2008 (53 weeks)	2007 (52 weeks)	Change
Sales	**$ 7,745**	$ 6,967	11.2%	**$ 30,802**	$ 29,384	4.8%
Operating expenses	**7,428**	6,833	8.7%	**29,756**	28,648	3.9%
Operating income	**317**	134	136.6%	**1,046**	736	42.1%
Net earnings	**188**	40	370.0%	**545**	330	65.2%
Basic net earnings per common share ($)	**0.69**	0.14	392.9%	**1.99**	1.20	65.8%
Same-store sales increase (%)	**10.6%**	2.6%		**4.2%**	2.4%	
Operating margin	**4.1%**	1.9%		**3.4%**	2.5%	
EBITDA(2)	**$ 441**	$ 268	64.6%	**$ 1,631**	$ 1,324	23.2%
EBITDA margin(2)	**5.7%**	3.8%		**5.3%**	4.5%	
Free cash flow(2)	**$ 216**	$ 335	(35.5%)	**$ (49)**	$ 402	(112.2%)

Sales in the 13-week fourth quarter of 2008 were $7,745 million compared with $6,967 million in the 2007 12-week fourth quarter, an increase of 11.2%. The extra selling week in 2008 positively impacted sales by 7.9%. Net earnings were $188 million, a 370.0% increase compared with $40 million in 2007. EBITDA(2) of $441 million for the fourth quarter represented a 64.6% increase over $268 million in 2007. Basic net earnings per common share for the fourth quarter were $0.69, compared with $0.14 in the fourth quarter last year.

The following items influenced the Company's operating income in the fourth quarter of 2008 compared to the fourth quarter of 2007:

- Income of $8 million related to lower than anticipated restructuring costs in 2008 compared to charges of $36 million in 2007. The effect on basic net earnings per common share was income of $0.02 in 2008 versus a charge of $0.09 in 2007.
- Income related to stock-based compensation net of the equity forwards of $17 million in 2008 compared to a charge of $52 million in 2007. The effect on basic net earnings per common share was a gain of $0.07 for 2008 versus a charge of $0.21 in 2007.
- Gain of $22 million on the sale of the Company's food service business in the fourth quarter of 2008. The effect on basic net earnings per common share was a gain of $0.06.

On an equivalent 12 week basis and excluding the above items, operating income, EBITDA(2) and basic net earnings per common share in the fourth quarter of 2008 improved compared to the fourth quarter of 2007.

Sales for fiscal year 2008 (53 weeks) were $30,802 million compared to $29,384 million in 2007 (52 weeks), an increase of 4.8%. Net earnings were $545 million, a 65.2% increase compared to $330 million last year. EBITDA(2) of $1,631 million represented a 23.2% increase over last year's $1,324 million. Basic net earnings per common share were $1.99, a 65.8% increase compared to $1.20 for fiscal year 2007.

(1) This News Release contains forward-looking information. See Forward-Looking Statements on page 8 of this News Release for a discussion of material factors that could cause actual results to differ materially from the conclusions, forecasts and projections herein and of the material factors and assumptions that were used. This News Release must be read in conjunction with Loblaw Companies Limited's filings with securities regulators made from time to time, all of which can be found at www.sedar.com and at www.loblaw.ca.

(2) See Non-GAAP Financial Measures on page 6 of this News Release.

"Our fourth quarter performance demonstrated that we are continuing to edge forward," said Galen G. Weston, Executive Chairman, Loblaw Companies Limited. "However, given the unpredictable economy and tough competitive environment, we remain cautious and are prepared for a challenging 2009."

Highlights of the Quarter

- The Company is making good progress in all facets of its five-point plan to drive profitable sales momentum. The five-point plan includes focus on a "Back-to-Best" great food renewal in Ontario, a Western Canada refurbishment, local market merchandising, improvements in foundational infrastructure and private label innovation.

- Total sales were $7,745 million in the fourth quarter of 2008 compared to $6,967 million in 2007, an increase of 11.2%. Same-store sales in the quarter increased by 10.6%. Sales and same-store sales growth in the fourth quarter of 2008 were positively impacted by approximately 7.9% as a result of an additional selling week. Sales and same-store sales growth were positively impacted by 0.8% as a result of a shift of the Thanksgiving holiday into the fourth quarter. Sales and same-store sales growth were also negatively impacted by approximately 1.0% as a result of a strike in certain Maxi stores in Quebec.

- On an equivalent 12 week basis:
  - Total sales growth in both food and drugstore was strong in the fourth quarter;
  - Apparel sales growth was strong in the fourth quarter but this did not offset the decline in core general merchandise sales growth, which primarily declined due to reductions in assortment and square footage;
  - Gas bar sales growth was negative in the fourth quarter compared to the fourth quarter of 2007 as a result of lower fuel prices;
  - Item count growth declined marginally, while customer count growth was flat; and
  - The Company's analysis indicated that internal retail food price inflation was higher than the year-to-date trend, but lower than the national food price inflation as measured by "The Consumer Price Index for Food Purchased from Stores". In the fourth quarter of 2007, the Company experienced internal retail food price deflation.

- Operating income increased by $183 million, or 136.6%, to $317 million in the fourth quarter of 2008, compared with $134 million in the fourth quarter of 2007. Operating margin was 4.1% for the fourth quarter of 2008 compared to 1.9% in 2007. Included in operating income is a charge of $29 million (2007 - $33 million) for fixed asset impairments related to asset carrying values in excess of fair values for specific store locations. Operating income and operating margin were positively influenced by lower restructuring and net stock-based compensation costs, higher sales and the Company's cost reduction initiatives.

- EBITDA(1) for the quarter was $441 million, representing an increase of 64.6% compared to $268 million in the fourth quarter of 2007. EBITDA margin(1) increased to 5.7% in the quarter from 3.8% in 2007.

- Basic net earnings per common share increased $0.55 or 392.9% to $0.69 for the fourth quarter of 2008, compared to $0.14 in the same quarter last year.

- Free cash flow(1) for the fourth quarter of 2008 was $216 million compared to $335 million in the fourth quarter of 2007. The decrease in the fourth quarter was primarily due to increased capital spending, timing of common share dividend payments, partially offset by an increase in cash flows from operating activities. On a year-to-date basis, free cash flow(1) was negative $49 million compared to $402 million in 2007. The year-to-date change was primarily due to a decrease in operating cash flows, an increase in capital expenditures and the timing of the payment of common share dividends.

Outlook(2)

The Company remains confident in its approach and will continue to focus on making measured progress on its key transformation priorities, including food renewal, store enhancements, product innovation, infrastructure, and customer value. During 2009 the Company will step up investments in information technology and supply chain which will increase the associated expense by approximately $100 million. This investment, coupled with the continuing economic challenges and competitive pressures are expected to challenge results in 2009.

(1) See Non-GAAP Financial Measures on page 6 of this News Release.
(2) To be read in conjunction with "Forward-Looking Statements" on page 8 of this News Release.

Results of Operations

Sales Sales in the 13-week fourth quarter increased by 11.2% to $7,745 million compared to $6,967 million in the 12-week fourth quarter of 2007.

The following factors explain the major components in the change in sales for the fourth quarter of 2008 compared to the fourth quarter of 2007:
- same-store sales growth of 10.6% including an increase in sales and same-store sales growth of 7.9% due to the extra selling week in the fourth quarter of 2008;
- a shift of the Thanksgiving holiday to the fourth quarter of 2008 resulted in higher sales and same-store sales growth of approximately 0.8% during the fourth quarter of 2008;
- sales and same-store sales growth were negatively impacted by 1.0% due to a strike in certain Maxi stores in Quebec;
- on an equivalent 12 week basis, total sales growth in both food and drugstore was strong;
- on an equivalent 12 week basis, apparel sales growth was strong in the fourth quarter but this did not offset the decline in core general merchandise sales growth, which primarily declined due to reductions in assortment and square footage;
- on an equivalent 12 week basis, item count growth declined marginally, while customer count growth remained flat versus the fourth quarter of 2007;
- on an equivalent 12 week basis gas bar sales growth was negative as a result of lower fuel prices;
- the Company's analysis indicated that internal retail food price inflation was higher than the year-to-date trend, but lower than the national food price inflation of 8.4% as measured by "The Consumer Price Index for Food Purchased from Stores". In the fourth quarter of 2007, the Company experienced internal retail food price deflation; and
- during the fourth quarter of 2008, 16 new corporate and franchised stores were opened and 10 were closed, resulting in a net increase of 0.2 million square feet or 0.5%.

Sales in 2008 (53 weeks) increased by 4.8% to $30,802 million, from sales of $29,384 million in 2007 (52 weeks). The following factors, in addition to the quarterly factors mentioned above, explain the change in 2008 sales over the prior year including same-store sales growth of 4.2%:
- an increase in sales and same-store sales growth of 1.9% due to the 53rd week in 2008; and
- during the year, 37 new corporate and franchised stores were opened, including stores which underwent conversions and major expansions, and 37 stores were closed resulting in a net increase of 0.2 million square feet or 0.5%.

Operating Income Operating income of $317 million for the fourth quarter of 2008 compared to $134 million in 2007, an increase of 136.6%. Operating margin was 4.1% for the fourth quarter of 2008 compared to 1.9% in 2007. The increase in operating income was mainly due to lower restructuring and lower net stock-based compensation costs, higher sales, and cost reduction initiatives.

The following items influenced operating income in the fourth quarter of 2008 compared to the fourth quarter of 2007:
- income of $8 million (2007 − charge of $36 million) due to lower than anticipated restructuring costs;
- income of $17 million (2007 − charge of $52 million) related to stock-based compensation net of the equity forwards. A non-cash gain on equity forwards resulted from an increase in the Company's share price during the fourth quarter of 2008; and
- gain of $22 million on the sale of the Company's food service business in the fourth quarter of 2008.

Included in 2008 fourth quarter operating income is a fixed asset impairment charge of $29 million (2007 - $33 million). In the fourth quarter of 2007, an $11 million gain was realized related to the sale of an office building in Calgary, Alberta. On an equivalent 12 week basis and excluding the above items, operating income in the fourth quarter of 2008 improved compared to the fourth quarter of 2007.

The Company experienced higher store labour costs in the fourth quarter of 2008 as a result of higher sales. Labour productivity decreased slightly in the fourth quarter of 2008 compared to the same period in 2007 as a result of investments in training and the Company's commitment to improve customer service during the holiday season. Labour productivity has improved on a year over year basis.

EBITDA(1) increased by $173 million, or 64.6%, to $441 million in the fourth quarter of 2008 compared to $268 million in the fourth quarter of 2007. EBITDA margin(1) increased in the fourth quarter of 2008 to 5.7% compared to 3.8% in 2007. The increases in EBITDA(1) and EBITDA margin(1) were due to lower restructuring charges, lower net stock-based compensation costs, higher sales and cost reduction initiatives.

(1) See Non-GAAP Financial Measures on page 6 of this News Release.

2008 operating income increased by $310 million, or 42.1%, to $1,046 million, and resulted in an operating margin of 3.4% compared to 2.5% in 2007.

The following items influenced operating income in 2008 compared to 2007:

- income of $1 million (2007 − charge of $222 million) related to lower than anticipated restructuring costs;
- a charge of $7 million (2007 − $72 million) related to stock-based compensation net of the equity forwards. A non-cash gain on equity forwards resulted from an increase in the Company's share price in 2008; and
- gain of $22 million on the sale of the Company's food service business in the fourth quarter of 2008.

Included in 2008 operating income was a $14 million gain from the sale of financial investments by *President's Choice* Bank ("*PC* Bank"), a wholly owned subsidiary of the Company and a $29 million fixed asset impairment charge. Included in 2007 operating income is an $11 million gain related to the sale of an office building in Calgary, Alberta, a $33 million fixed asset impairment charge, and a $24 million charge as a result of adjustments in estimates related to post-employment and long term disability benefits, deferred product development and information technology costs.

2008 EBITDA(1) increased by $307 million, or 23.2%, to $1,631 million compared to $1,324 million in 2007. EBITDA margin(1) increased to 5.3% compared to 4.5% in 2007.

Interest Expense and Other Financing Charges Interest expense and other financing charges for the fourth quarter of 2008 were $65 million compared to $59 million in 2007. The following items impacted interest expense in the quarter:

- interest on long term debt of $70 million (2007 – $66 million);
- interest on financial derivative instruments, which includes the effect of the Company's interest rate swaps, cross currency basis swaps and equity forwards, of nil (2007 – charge of $2 million);
- net short term interest income of $2 million (2007 – nil);
- interest income on security deposits of $2 million (2007 – $4 million);
- interest expense of $5 million (2007 – $5 million) was capitalized to fixed assets; and
- dividends on capital securities of $4 million (2007 − nil).

Interest expense and other financing charges for the year were $263 million compared to $252 million in 2007.

Income Taxes The effective income tax rate in the fourth quarter of 2008 was 24.2% (2007 − 36.0%). The quarter over quarter reduction in the effective income tax rate is primarily due to a change in the proportions of taxable income earned across different tax jurisdictions, lower Canadian federal and certain provincial statutory income tax rates relative to the fourth quarter of 2007 and a decrease in income tax accruals relating to certain income tax matters which was partially offset by a 2007 cumulative adjustment of future taxes pursuant to a reduction in Canadian federal and certain provincial statutory income tax rates.

The 2008 effective income tax rate was 29.1% (2007 – 31.0%). The year over year reduction in the effective income tax rate is primarily due to a change in the proportions of taxable income earned across different tax jurisdictions, lower Canadian federal and certain provincial statutory income tax rates relative to 2007 which was partially offset by an increase in income tax accruals relating to certain income tax matters and a 2007 cumulative adjustment of future taxes pursuant to a reduction in the Canadian federal and certain provincial statutory income tax rates.

Net Earnings Net earnings for the fourth quarter increased by $148 million, or 370.0%, to $188 million from $40 million in the fourth quarter of 2007 and increased by $215 million, or 65.2%, to $545 million for the year from $330 million in 2007. Basic net earnings per common share for the fourth quarter increased by $0.55, or 392.9%, to $0.69 from $0.14 in the fourth quarter of 2007 and increased by $0.79, or 65.8%, to $1.99 for the year compared to $1.20 in 2007.

Basic net earnings per common share were affected in the fourth quarter of 2008 by the following:

- income of $0.02 (2007 – charge of $0.09) per common share related to lower than anticipated restructuring costs;
- income of $0.07 (2007 – charge of $0.21) per common share for stock-based compensation net of the equity forwards; and
- a gain of $0.06 per common share from the sale of the Company's food service business.

(1) See Non-GAAP Financial Measures on page 6 of this News Release.

Basic net earnings per common share for 2008 were affected by the following:

- income of nil (2007 – charge of $0.53) per common share related to lower than anticipated restructuring costs;
- charge of $0.04 (2007 – $0.30) per common share for stock-based compensation net of the equity forwards; and
- gain of $0.06 per common share for the sale of the Company's food service business.

Liquidity and Capital Resources

Cash and cash equivalents, short term investments and security deposits included in other assets, future operating cash flow and the amounts available to be drawn against its credit facility are expected to enable the Company to finance its capital investment program and fund its ongoing business requirements including working capital and pension plan funding. The Company believes it has sufficient funding available to meet these requirements over the next twelve months. Given reasonable access to capital markets, the Company does not foresee any difficulty in securing financing to satisfy its long term obligations.

Cash Flows from Operating Activities Fourth quarter cash flows from operating activities were $627 million in 2008 compared to $508 million in the comparable period in 2007. The increase can be attributed to the increase in net earnings before minority interest and restructuring charges. Also impacting operating cash flow in the current quarter was a $63 million contribution to the Company's registered funded defined benefit pension plans, and consideration received of $65 million in exchange for entering into a long-term supply agreement. Cash flows from operating activities for 2008 were $989 million compared to $1,245 million in 2007. The decrease is attributable to the change in non-cash working capital as the increase in 2008 net earnings was offset by a reduction in restructuring charges in 2008 relative to 2007. The Company's 2008 on-shelf availability project is the primary reason for the increase in inventory relative to 2007, and the primary driver of the change in non-cash working capital.

Cash Flows used in Investing Activities Fourth quarter cash flows used in investing activities were $427 million compared to $306 million in 2007. The increase was due to increased capital spending associated with the Company's investment in its infrastructure and less proceeds from asset sales, partially offset by a decrease in the change in cash flows from credit card receivables. In 2008 cash used in investing activities was $607 million compared to $851 million in 2007. The change was primarily due to the change in credit card receivables, after securitization, and movement in short-term investments, partially offset by increased capital spending and less proceeds from asset sales. Capital investment in the fourth quarter amounted to $353 million (2007 – $173 million) and $750 million (2007 – $613 million) for the full year. The Company's estimate of capital expenditures for 2009 is $750 million.

Cash Flows used in Financing Activities Fourth quarter cash flows used in financing activities were $161 million in 2008 compared to $166 million in 2007. The change is a result of less short-term borrowing requirements in the current quarter, which were partially offset by the timing of the payment of common share dividends of $58 million in 2008. In 2008, cash flows used in financing activities were $371 million compared to $472 million in the prior year. In 2008, the Company received proceeds of $218 million and $296 million from issuances of capital securities and unsecured notes, respectively, which were used to reduce short-term borrowings and retire 2008 debt maturities. Dividends paid in 2008 increased by $58 million, which can be attributed to the timing of the payment of common share dividends. Subsequent to year end, the Company repaid its $125 million 5.75% medium term note which matured.

Risks and Risk Management

Economic Environment

In the last six months of 2008 and continuing into 2009, global economic conditions have deteriorated which has resulted in increased risk to the Company. Management regularly monitors economic conditions, including interest rates, the debt market, inflation, employment rates and capital markets. Management believes the Company has sufficient financial resources to meet its ongoing business requirements.

Financial Risk and Risk Management

The Company is exposed to credit, interest rate, market and liquidity risks as a result of holding financial instruments. The Company's risk management practices in this area are described in Note 22 of the Consolidated Financial Statements in the Company's 2007 Annual Report and in Note 18 of the 2008 Third Quarter Report to Shareholders. In addition, the recent economic downturn has increased the risk of personal bankruptcies, higher risk of credit card receivable write-offs, and increased funding costs of the credit card portfolio.

(1) See Non-GAAP Financial Measures on page 6 of this News Release.

Employee Future Benefit Contributions

Although the Company's registered funded defined benefit plans as of the last filed actuarial valuations were adequately funded and historical returns on defined benefit pension plan assets have been in line with long term expectations, there can be no assurance that these trends will continue. If the capital markets do not recover some of the recent significant losses in the near term, the Company may experience a significant increase in pension expense for its defined benefit plans and it is possible that future pension plan contributions may be significantly greater than the current projected contributions. During 2008, the Company contributed $138 million (2007 – $74 million) to its registered funded defined benefit pension plans, of which $63 million was contributed in the fourth quarter of 2008 as a result of the Company's decision to increase 2008 contributions in excess of original estimates. Contributions of $100 million to the Company's registered funded defined benefit pension plans are planned for 2009. The Company continues to assess the impact of capital markets on its funding requirements.

Non-GAAP Financial Measures

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

Based on this review, the Company decided that effective the first quarter of 2008 it would discontinue its use of the following non-GAAP financial measures: sales and sales growth excluding the impact of tobacco sales and variable interest entities ("VIEs"), adjusted operating income and adjusted operating margin, adjusted EBITDA and adjusted EBITDA margin and adjusted basic net earnings per common share. The Company will continue to discuss the impact of individual specific items that are important in understanding the ongoing operations including those that relate to sales, operating income and basic net earnings per common share.

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

EBITDA and EBITDA Margin The following table reconciles earnings before minority interest, income taxes, interest expense, and 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 thirteen and fifty three week periods ended January 3, 2009 and the twelve and fifty two week periods ended December 29, 2007. EBITDA is useful to management in assessing the Company's performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

EBITDA margin is calculated as EBITDA divided by sales.

($ millions)	**2008 (13 weeks)**	2007 (12 weeks)	**2008 (53 weeks)**	2007 (52 weeks)
Net earnings	**$ 188**	$ 40	**$ 545**	$ 330
Add impact of the following:				
Minority interest	**3**	8	**10**	4
Income taxes	**61**	27	**228**	150
Interest expense and other financing charges	**65**	59	**263**	252
Operating income	**317**	134	**1,046**	736
Add impact of the following:				
Depreciation and amortization	**124**	134	**585**	588
EBITDA	**$ 441**	$ 268	**$ 1,631**	$ 1,324

Net Debt The following table reconciles net debt to Canadian GAAP measures reported in the unaudited interim period consolidated balance sheets as at January 3, 2009 and December 29, 2007. The Company calculates net debt as the sum of long term debt and short term debt less cash and cash equivalents, short term investments and security deposits which are included in other assets and believes this measure is useful in assessing the amount of leverage employed.

($ millions)	**2008**	2007
Bank indebtedness	**$ 52**	$ 3
Commercial paper	**–**	418
Short term debt	**190**	–
Long term debt due within one year	**165**	432
Long term debt	**4,070**	3,852
Less: Cash and cash equivalents	**528**	430
Short term investments	**225**	225
Security deposits included in other assets	**437**	322
Net debt	**$ 3,287**	$ 3,728

Free Cash Flow The following table reconciles free cash flow to Canadian GAAP cash flows used in operating activities reported in the unaudited interim period consolidated cash flow statements for the thirteen and fifty three week periods ended January 3, 2009 and the twelve and fifty two week periods ended December 29, 2007. The Company calculates free cash flow as cash flows from operating activities less fixed asset purchases and dividends. The Company believes free cash flow is a useful measure of the change in the Company's cash available for additional funding requirements.

($ millions)	**2008 (13 weeks)**	2007 (12 weeks)	**2008 (53 weeks)**	2007 (52 weeks)
Cash flows from operating activities	**$ 627**	$ 508	**$ 989**	$ 1,245
Less: Fixed asset purchases	**353**	173	**750**	613
Dividends	**58**	–	**288**	230
Free cash flow	**$ 216**	$ 335	**$ (49)**	$ 402

FORWARD-LOOKING STATEMENTS

This News Release for Loblaw 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 the possibility that the Company's plans and objectives will not be achieved. These risks and uncertainties include, but are not limited to: changes in economic conditions; 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 and simplification initiatives; increased costs relating to utilities, including electricity, and fuel; the inability of the Company's information technology infrastructure to support the requirements of the Company's business; the inability of the Company to manage inventory to minimize the impact of obsolete or excess issues and to control shrink; failure to execute successfully and in a timely manner the Company's major initiatives, including the implementation of strategies and introduction of innovative and reformulated products; unanticipated costs associated with the Company's strategic initiatives, including those related to compensation costs; the inability of the Company's supply chain to service the needs of the Company's stores; deterioration in the Company's relationship with its employees, particularly through periods of change in the Company's business; failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements which could lead to work stoppages; changes to the regulatory environment in which the Company operates; the adoption of new accounting standards and changes in the Company's use of accounting estimates including in relation to inventory valuation; fluctuations in the Company's earnings due to changes in the value of equity forward contracts relating to its common shares; changes in the Company's tax liabilities resulting from changes in tax laws or future assessments; detrimental reliance on the performance of third-party service providers; public health events; the inability of the Company to obtain external financing; the inability of the Company to 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 Risks and Risk Management section of the MD&A included in the Company's 2007 Annual Report and its 2008 Quarterly Reports. These forward looking statements reflect management's current assumptions regarding these risks and uncertainties and their respective impact on the Company.

Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this News Release. The Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Consolidated Statements of Earnings

For the periods ended January 3, 2009 and December 29, 2007 ($ millions except where otherwise indicated)	**2008 (13 weeks) (unaudited)**	2007 (12 weeks) (unaudited)	**2008 (53 weeks) (unaudited)**	2007 (52 weeks) (audited)
Sales	**$ 7,745**	$ 6,967	**$ 30,802**	$ 29,384
Operating Expenses				
Cost of sales, selling and administrative expenses	**7,312**	6,663	**29,172**	27,838
Depreciation and amortization	**124**	134	**585**	588
Restructuring	**(8)**	36	**(1)**	222
	7,428	6,833	**29,756**	28,648
Operating Income	**317**	134	**1,046**	736
Interest expense and other financing charges	**65**	59	**263**	252
Earnings before Income Taxes and Minority Interest	**252**	75	**783**	484
Income Taxes	**61**	27	**228**	150
Net Earnings before Minority Interest	**191**	48	**555**	334
Minority Interest	**3**	8	**10**	4
Net Earnings	**$ 188**	$ 40	**$ 545**	$ 330
Net Earnings Per Common Share ($)				
Basic and Diluted	**$ 0.69**	$ 0.14	**$ 1.99**	$ 1.20

Consolidated Balance Sheets

($ millions)	As at January 3, 2009 (unaudited)	As at December 29, 2007 (audited)
Assets		
Current Assets		
Cash and cash equivalents	$ 528	$ 430
Short term investments	225	225
Accounts receivable	867	885
Inventories	2,188	2,032
Income taxes	40	111
Future income taxes	41	56
Prepaid expenses and other assets	71	32
Total Current Assets	3,960	3,771
Fixed Assets	8,045	7,953
Goodwill	807	806
Other Assets	1,173	1,144
Total Assets	$ 13,985	$ 13,674
Liabilities		
Current Liabilities		
Bank indebtedness	$ 52	$ 3
Commercial paper	–	418
Short term debt	190	–
Accounts payable and accrued liabilities	2,823	2,860
Long term debt due within one year	165	432
Total Current Liabilities	3,230	3,713
Long Term Debt	4,070	3,852
Future Income Taxes	171	180
Other Liabilities	445	368
Capital Securities	219	–
Minority Interest	20	16
Total Liabilities	8,155	8,129
Shareholders' Equity		
Common Share Capital	1,196	1,196
Retained Earnings	4,604	4,330
Accumulated Other Comprehensive Income	30	19
Total Shareholders' Equity	5,830	5,545
Total Liabilities and Shareholders' Equity	$ 13,985	$ 13,674

Consolidated Cash Flow Statements

For the periods ended January 3, 2009 and December 29, 2007 ($ millions)	2008 (13 weeks) (unaudited)	2007 (12 weeks) (unaudited)	2008 (53 weeks) (unaudited)	2007 (52 weeks) (audited)
Operating Activities				
Net earnings before minority interest	**$ 191**	$ 48	**$ 555**	$ 334
Depreciation and amortization	**124**	134	**585**	588
Restructuring	**(8)**	36	**(1)**	222
Future income taxes	**29**	8	**27**	(17)
Change in non-cash working capital	**251**	276	**(284)**	35
Other	**40**	6	**107**	83
Cash Flows from Operating Activities	**627**	508	**989**	1,245
Investing Activities				
Fixed asset purchases	**(353)**	(173)	**(750)**	(613)
Short term investments	**48**	(36)	**45**	(154)
Proceeds from asset sales	**64**	175	**125**	223
Credit card receivables, after securitization	**(150)**	(283)	**82**	(238)
Franchise investments and other receivables	**(16)**	4	**(37)**	19
Other	**(20)**	7	**(72)**	(88)
Cash Flows used in Investing Activities	**(427)**	(306)	**(607)**	(851)
Financing Activities				
Bank indebtedness	**(11)**	(29)	**50**	2
Commercial paper	**(9)**	179	**(418)**	(229)
Short term debt	**(83)**	(306)	**190**	–
Long term debt				
Issued	**–**	–	**301**	25
Retired	**–**	(9)	**(424)**	(39)
Capital securities issued	**–**	–	**218**	–
Dividends	**(58)**	–	**(288)**	(230)
Other	**–**	(1)	**–**	(1)
Cash Flows used in Financing Activities	**(161)**	(166)	**(371)**	(472)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**50**	1	**87**	(60)
Change in Cash and Cash Equivalents	**89**	37	**98**	(138)
Cash and Cash Equivalents, Beginning of Period	**439**	393	**430**	568
Cash and Cash Equivalents, End of Period	**$ 528**	$ 430	**$ 528**	$ 430

Basis of Presentation This unaudited condensed interim financial information has been prepared by management in accordance with Canadian GAAP and includes the accounts of the Company. This financial information does not contain all disclosures required by Canadian GAAP for annual or interim financial statements, and accordingly, this financial information should be read in conjunction with the most recently issued annual financial statements for the 52 weeks ended December 29, 2007 contained in our 2007 Annual Report and interim financial statements for the 16 and 40 week periods ended October 4, 2008. All amounts are expressed in millions, except where otherwise indicated.

The Company consolidates VIEs pursuant to Canadian Institute of Chartered Accountants 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.

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

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

Restructuring

Project Simplify During 2007, the Company approved and announced the restructuring of its merchandising and store operations into more streamlined functions as part of Project Simplify. In the fourth quarter of 2008, the Company recognized nil (2007 − $29) of restructuring costs resulting from this plan. The year-to-date charge of $3 (2007 − $197) is comprised of $2 (2007 − $139) for employee termination costs including severance, additional pension costs resulting from the termination of employees and retention costs; and $1 (2007 − $58) of other costs, primarily consulting directly associated with the restructuring. Cash payments in the fourth quarter of 2008 were $2 (2007 − $19) and $36 (2007 − $149) year-to-date. As at the end of the fourth quarter of 2008, a remaining liability of $1 (2007 − $33) was recorded on the consolidated balance sheets in respect of this initiative.

Store Operations During 2007, the Company completed the previously announced restructuring of its store operations. In the fourth quarter of 2008, the Company recognized income of $2 (2007 − nil) and income of $3 (2007 − charge of $16) year-to-date related to this plan. Cash payments in the fourth quarter of 2008 were nil (2007 − $2) and $1 (2007 − $22) year-to-date. As at the end of the fourth quarter of 2008, a remaining liability of nil (2007 − $3) was recorded on the consolidated balance sheets in respect of this initiative.

Supply Chain Network During 2005, the Company approved a comprehensive plan to restructure its supply chain operations nationally. In the fourth quarter of 2008, the Company recognized income of $6 (2007 – charge of $7) of restructuring costs resulting from this plan. Year-to-date income of $1 (2007 − charge of $9) is composed of income of $3 (2007 – charge of $7) for employee termination costs resulting from planned involuntary terminations and a charge of $2 (2007 − $2) for site closing and other costs. Cash payments in the fourth quarter of 2008 were $4 (2007 − $1) and $25 (2007 − $5) year-to-date. As at the end of the fourth quarter of 2008, a remaining liability of $7 (2007 − $33) was recorded on the consolidated balance sheets in respect of this initiative. As at January 3, 2009 no further restructuring charges will be recognized related to this initiative.

Interest Expense and Other Financing Charges

	January 3, 2009 (13 weeks)	December 29, 2007 (12 weeks)	**January 3, 2009 (53 weeks)**	December 29, 2007 (52 weeks)
Interest on long term debt	**$ 70**	$ 66	**$ 286**	$ 285
Interest (income) expense on financial derivative instruments	**–**	2	**(4)**	12
Net short term interest (income) expense	**(2)**	–	**2**	(6)
Interest income on security deposits	**(2)**	(4)	**(9)**	(17)
Dividends on capital securities	**4**	–	**8**	–
Capitalized to fixed assets	**(5)**	(5)	**(20)**	(22)
Interest expense and other financing charges	**$ 65**	$ 59	**$ 263**	$ 252

Interest paid in the fourth quarter of 2008 was $111 (2007 – $96) and interest received was $42 (2007 – $27). Interest paid year-to-date was $415 (2007 – $403) and interest received year-to-date was $145 (2007 – $134).

Income Taxes

The effective income tax rate in the fourth quarter of 2008 was 24.2% (2007 − 36.0%). The quarter over quarter reduction in the effective income tax rate is primarily due to a change in the proportions of taxable income earned across different tax jurisdictions, lower Canadian federal and certain provincial statutory income tax rates relative to the fourth quarter of 2007 and a decrease in income tax accruals relating to certain income tax matters which was partially offset by a 2007 cumulative adjustment of future taxes pursuant to a reduction in Canadian federal and certain provincial statutory income tax rates.

The 2008 effective income tax rate was 29.1% (2007 – 31.0%). The year over year reduction in the effective income tax rate is primarily due to a change in the proportions of taxable income earned across different tax jurisdictions, lower Canadian federal and certain provincial statutory income tax rates relative to 2007 which was partially offset by an increase in income tax accruals relating to certain income tax matters and a 2007 cumulative adjustment of future taxes pursuant to a reduction in the Canadian federal and certain provincial statutory income tax rates.

Net income taxes paid in the fourth quarter was $34 (2007 – $66), and year-to-date was $122 (2007 − $220).

Basic and Diluted Net Earnings per Common Share

	January 3, 2009 (13 weeks)	December 29, 2007 (12 weeks)	**January 3, 2009 (53 weeks)**	December 29, 2007 (52 weeks)
Net earnings for basic earnings per share ($ millions)	**$ 188**	$ 40	**$ 545**	$ 330
Dividends on capital securities ($ millions)	**4**	–	**8**	–
Net earnings for diluted earnings per share ($ millions)	**$ 192**	$ 40	**$ 553**	$ 330
Weighted average common shares outstanding (in millions)	**274.2**	274.2	**274.2**	274.2
Dilutive effect of stock-based compensation (in millions)	**0.1**	–	**0.1**	–
Dilutive effect of capital securities (in millions)	**6.7**	–	**3.6**	–
Diluted weighted average common shares outstanding (in millions)	**$ 281.0**	$ 274.2	**$ 277.9**	$ 274.2
Basic and diluted net earnings per common share ($)	**$ 0.69**	$ 0.14	**$ 1.99**	$ 1.20

Stock options outstanding with an exercise price greater than the market price of the Company's common shares at the end of the fourth quarter were not recognized in the computation of diluted net earnings per common share. Accordingly, for the fourth quarter of 2008, 4,690,732 (2007 – 6,390,459) stock options, with a weighted average exercise price of $52.98 (2007 – $52.67) per common share, were excluded from the computation of diluted net earnings per common share.

Cash and Cash Equivalents

The components of cash and cash equivalents as at January 3, 2009 and December 29, 2007 were as follows:

	As at January 3, 2009	As at December 29, 2007
Cash	**$ 42**	$ 61
Cash equivalents − short term investments with a maturity of 90 days or less:		
Bank term deposits	**–**	77
Government treasury bills	**219**	109
Government-sponsored debt securities	**58**	59
Corporate commercial paper	**209**	124
Cash and cash equivalents	**$ 528**	$ 430

In the fourth quarter of 2008, the Company recognized an unrealized foreign currency exchange gain of $116 (2007 − loss of $5) and $210 (2007 − loss of $155) year-to-date as a result of translating its United States dollar denominated cash and cash equivalents, short term investments and security deposits which are included in other assets, of which a gain of $50 (2007 − $1) and a gain of $87 (2007 − loss of $60) year-to-date related to cash and cash equivalents. The resulting gain or loss on cash and cash equivalents, short term investments and security deposits which are included in other assets is partially offset in operating income and accumulated other comprehensive income by the unrealized foreign currency exchange loss or gain on the cross currency basis swaps.

Accounts Receivable

From time to time, *PC* Bank securitizes credit card receivables through the sale of a portion of the total interest in these receivables to independent trusts. During the fourth quarter of 2008, nil (2007 – nil) of credit card receivables were securitized, $300 (2007 − $225) year-to-date to an independent trust. A portion of the securitized receivables are in an independent trust facility with a term of 364 days, subject to annual renewal. If the term of this facility is not renewed, collections will be accumulated prior to the expiry and the amount of that portion of the securitized receivables will be repaid to the trust. The securitization yielded a $1 gain (2007 − $1) based on the assumptions disclosed in note 10 of the consolidated financial statements for the year ended December 29, 2007. The independent trusts' recourse to *PC* Bank's assets is limited to *PC* Bank's retained interests and is further supported by the Company through a standby letter of credit for $116 (2007 – $89) on a portion of the securitized amount. Other receivables consist mainly of receivables from independent franchisees, associated stores and independent accounts.

	As at January 3, 2009	As at December 29, 2007
Credit card receivables	**$ 2,206**	$ 2,023
Amount securitized	**(1,775)**	(1,475)
Net credit card receivables	**431**	548
Other receivables	**436**	337
Accounts receivable	**$ 867**	$ 885

Credit card receivables that are past due of $7 as at January 3, 2009 are not classified as impaired as they are less than 90 days past due and most receivables are reasonably expected to remedy the past due status. Any credit card receivable balances with a payment that is contractually 180 days in arrears or where the likelihood of collection is considered remote are written-off. Concentration of credit risk with respect to receivables is limited due to the Company's customer base being diverse. Credit risk on the credit card receivables is managed as described in note 22 of the Company's 2007 Annual Report. Other receivables that are past due but not impaired totaled $79 as at January 3, 2009, of which a nominal amount were more than 60 days past due.

Inventories

The cost of merchandise inventories recognized as an expense during the fourth quarter of 2008 was $6,005 and $23,891 year-to-date. The Company recorded $16 as an expense for the write-down of inventories below cost to net realizable value for inventories recorded as at January 3, 2009. There was no reversal of inventories written down previously that are no longer estimated to sell below cost.

Employee Future Benefits

The Company's total net benefit plan cost recognized in operating income was $35 (2007 – $43) and $161 (2007 − $187) for the fourth quarter of 2008 and year-to-date, respectively. 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.

During 2008, the Company contributed $138 (2007 – $74) to its registered funded defined benefit pension plans, of which $63 was contributed in the fourth quarter of 2008 as a result of the Company's decision to increase 2008 contributions in excess of original estimates. Contributions of $100 to the Company's registered funded defined benefit pension plans are planned for 2009. The Company continues to assess the impact of capital markets on its funding requirements.

Debt and Capital Management

In the first quarter of 2008, the Company entered into an $800, 5-year committed credit facility, provided by a syndicate of banks, which contains certain financial covenants. This facility is the primary source of the Company's short term funding requirements and permits borrowings having up to a 180-day term that accrue interest based on short term floating interest rates. This facility replaced a $500, 364-day committed credit facility which had no financial covenants and permitted borrowings having up to a 180-day term that accrued interest based on short term floating interest rates. As at January 3, 2009, $190 was drawn on the new 5-year committed credit facility.

During the second quarter of 2008, the Company issued USD $300 of fixed-rate unsecured notes in a private placement debt financing which contains certain financial covenants. The notes were issued in two equal tranches of USD $150 with 5 and 7 year maturities at interest rates of 6.48% and 6.86%, respectively. The net proceeds from the issue of the notes were used to repay maturing debt obligations, including a portion of the $390 of 6.00% Medium Term Notes which matured in June 2008. The Company entered into two fixed cross currency swaps designated as cash flow hedges to manage the foreign exchange risk. The ineffective portion of the gains or losses on the derivatives within these hedging relationships was insignificant. As at January 3, 2009, $361 was recorded in long term debt on the consolidated balance sheet.

During the third quarter, the Company closed its Canadian public offering of 9 million cumulative redeemable convertible Second Preferred Shares, Series A, at a price of $25.00 per share, to yield 5.95% per annum, for an aggregate gross amount of $225 and the net proceeds of $218 were added to the general funds of the Company. The preferred shares are presented as Capital Securities on the Consolidated Balance Sheet and are classified as other financial liabilities. The preferred shares have been listed and posted to trade on the Toronto Stock Exchange ("TSX") under the symbol "L.PR.A". Dominion Bond Rating Service ("DBRS") assigned a rating of Pfd-3 with a Negative trend and Standard & Poor's ("S&P") assigned a rating of P-3 (high) to the Company's preferred shares.

From time to time, *PC* Bank securitizes credit card receivables through the sale of a portion of the total interest in these receivables to independent trusts. During the third quarter, $300 of credit card receivables were securitized by *PC* Bank, through the sale of a portion of the total interest in these receivables to an independent trust. A portion of the securitized receivables are in an independent trust facility with a term of 364 days, subject to annual renewal. If the term of this facility is not renewed, collections will be accumulated prior to the expiry and the amount of that portion of the securitized receivables will be repaid to the trust. Subsequent to year-end, one of the independent trusts filed a base shelf prospectus which permits it to issue up to $1.5 billion of notes over a 25 month period, subject to the availability of capital markets.

Cash and cash equivalents, short term investments and security deposits included in other assets, future operating cash flow and the amounts available to be drawn against its credit facility are expected to enable the Company to finance its capital investment program and fund its ongoing business requirements including working capital and pension plan funding. The Company believes it has sufficient funding available to meet these requirements over the next twelve months. Given reasonable access to capital markets, the Company does not foresee any difficulty in securing financing to satisfy its long term obligations. Subsequent to year end, the Company repaid its $125, 5.75% medium term note which matured.

Dividends ($)

The declaration and payment of dividends and the amount thereof are at the discretion of the Board of Directors. Over the long term, the Company's objective is for its common dividend payment ratio to be in the range of 20% to 25% of the prior year's basic net earnings per common share adjusted as appropriate for items which are not regarded to be reflective of ongoing operations giving consideration to the year end cash position, future cash flow requirements and investment opportunities. During the fourth quarter of 2008, the Board declared common share dividends of $0.21 (2007– $0.21) and $0.84 (2007 − $0.84) year-to-date per common share. During the fourth quarter of 2008, the Board of Directors declared dividends of $0.371875 and $0.911275 year-to-date per second preferred share. For financial statement presentation purposes, preferred share dividends of $4 million and $8 million year-to-date are included as a component of interest expense and other financing charges on the Consolidated Statement of Earnings.

Covenants and Regulatory Requirements

The committed credit facility which the Company entered into during the first quarter of 2008 and the USD $300 fixed-rate private placement notes which the Company issued during the second quarter of 2008 both contain certain financial covenants. The covenants under both agreements include maintaining an interest coverage ratio as well as a leverage ratio, as defined in the respective credit agreements, which the Company measures on a quarterly basis. As at the end of the fourth quarter of 2008, the Company was in compliance with these covenants.

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

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

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

($ millions)	**January 3, 2009 (13 weeks)**	December 29, 2007 (12 weeks)	**January 3, 2009 (53 weeks)**	December 29, 2007 (52 weeks)
Stock option plan expense	**$ 7**	$ –	**$ 8**	$ –
Equity forwards (gain) loss	**(28)**	55	**(10)**	67
Restricted share unit plan expense (income)	**4**	(3)	**9**	5
Net stock-based compensation (gain) expense	**$ (17)**	$ 52	**$ 7**	$ 72

Stock Option Plan During the four quarters of 2008, the Company paid the share appreciation value of nil (2007 − a nominal amount) on the exercise of nil (2007 − 108,000) stock options. In addition, 2,071,528 (2007 − 1,812,870) stock options were forfeited or cancelled. Under its existing stock option plan, which allows for settlement in shares or in the share appreciation value in cash at the option of the employee, the Company granted 36,871 (2007 − 101,057) stock options with an exercise price of $30.57 (2007 − $33.03) per common share during the fourth quarter of 2008. During the third quarter of 2008, the Company granted 82,204 (2007 − 194,559) stock options with an exercise price of $29.30 (2007 − $49.11) per common share. During the second quarter of 2008, the Company granted 8,800 (2007 − 38,938 and 148,987) stock options with an exercise price of $33.10 (2007 − $46.01 and $50.80) per common share. During the first quarter of 2008, the Company granted 3,303,557 (2007 − 3,885,439) stock options with an exercise price of $28.95 (2007 − $47.44) per common share.

At the end of the fourth quarter of 2008, a total of 7,892,660 (2007 − 6,532,756) stock options were outstanding and represented approximately 2.9% (2007 − 2.4%) 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 fourth quarter was $35.23 (2007 − $34.07).

Restricted Share Unit ("RSU") Plan Under its existing RSU plan, the Company granted 5,179 (2007 − 18,888) RSUs in the fourth quarter; 13,526 (2007 − 23,425) RSUs in the third quarter; 45,321 (2007 − 10,925) RSUs in the second quarter and 352,268 (2007 − 281,818) in the first quarter of 2008. In addition, 103,103 (2007 – 161,621) RSUs were cancelled year-to-date and 252,479 (2007 – 154,700) were settled in cash in the amount of $9 million (2007 – $8 million) in the four quarters of 2008. At the end of the fourth quarter, 829,399 (2007 – 768,687) RSUs remained outstanding.

Contingencies, Commitments and Guarantees

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

During the first quarter of 2008, the Company was notified that an Event of Termination of the independent funding trust agreement for the Company's franchisees had occurred as a result of the Company's long term credit rating downgrade by DBRS to "BBB (high)" from "A (low)". As a result of the Event of Termination, during the second quarter of 2008, the Company finalized an alternative financing arrangement for the independent funding trust in the form of a $475, 364-day revolving committed credit facility provided by a syndicate of banks.

The gross principal amount of loans issued to the Company's independent franchisees outstanding as of January 3, 2009 was $388 (2007 − $418) including $152 (2007 − $153) of loans payable by VIEs consolidated by the Company. Based on a formula, the Company has agreed to provide credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trust equal to approximately 15% (2007 − 10%) of the principal amount of the loans outstanding at any point in time, $66 (2007 − $44) as of January 3, 2009. The standby letter of credit has not been drawn upon. This credit enhancement allows the independent funding trust to provide favorable financing terms to the Company's independent franchisees. As well, each independent franchisee provides security to the independent funding trust for its obligations by way of a general security agreement. In the event that an independent franchisee defaults on its loan and the Company has not, within a specified time period, assumed the loan, or the default is not otherwise remedied, the independent funding trust would assign the loan to the Company and draw upon this standby letter of credit. The Company has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit. This new alternative financing structure has been reviewed and the Company determined there were no material implications with respect to the consolidation of VIEs. In accordance with Canadian GAAP, the financial statements of the independent funding trust are not consolidated with those of the Company.

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

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

Related Party Transactions

The Company entered into a long term supply agreement with a subsidiary of the Company's majority shareholder, George Weston Limited ("Weston"), and in exchange received cash proceeds of $65 which will be recognized into income over the term of the agreement, of which $1 was recognized in 2008. As at January 3, 2009, $8 was included in accounts payable and accrued liabilities and $56 in other liabilities. Certain assets and liabilities of a wholly-owned subsidiary were subsequently sold by Weston.

Disposition of Food Service Business

In the fourth quarter of 2008, the Company disposed of its food service business for proceeds of $36 which resulted in a pre-tax gain of $22 in operating income ($16, net of tax). The disposed business had annual sales and EBITDA of approximately $150 and $5, respectively.

Presentation

Certain prior year information has been reclassified to conform with current year presentation. Security deposits, which were previously presented as cash and cash equivalents and short term investments on the consolidated balance sheets, are now included in other assets on the consolidated balance sheets and totaled $437 as at January 3, 2009 (2007 – $322). The Company's unrealized equity forwards liability, which were previously presented as other long term liabilities on the consolidated balance sheets, are now included in accounts payable and accrued liabilities and totaled $92 as at January 3, 2009 (2007 – $91).

2008 Annual Consolidated Financial Statements and MD&A

The Company's audited consolidated financial statements and Management's Discussion and Analysis ("MD&A") for the year ended January 3, 2009 will be released on or before March 31, 2009. Both documents will be contained in the Company's 2008 Annual Report and will be available in the Investor Zone section of the Company's website at www.loblaw.ca or at www.sedar.com.

Investor Relations

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

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

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on February 18, 2009 at 11:00 a.m. (EST).

To access via Tele-conference please dial (416) 644-3419. The playback will be made available one hour after the event at (416) 640-1917, passcode: 21290089#. To access via webcast please visit www.loblaw.ca, go to Investor Zone and click on webcast. Pre-registration will be available.

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