Loblaw
COMPANIES LIMITED

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Loblaw Companies Limited 2009 First Quarter Report to Shareholders
12 weeks ending March 28, 2009

LOBLAW COMPANIES LIMITED REPORTS FIRST QUARTER 2009 RESULTS

2009 First Quarter Summary[(1)]

- Basic net earnings per common share of $0.40, up 73.9%
- EBITDA[(2)] margin of 5.3%
- Sales of $6,718 million, growth of 2.9%
- Same-store sales growth of 2.1%

For the periods ended March 28, 2009 and March 22, 2008 (unaudited) ($ millions except where otherwise indicated)	**2009 (12 weeks)**	2008 (12 weeks – restated[(3)])	$ Change	% Change
Sales	**$ 6,718**	$ 6,527	191	2.9%
Gross profit	**1,614**	1,490	124	8.3%
Operating income	**226**	156	70	44.9%
Net earnings	**109**	63	46	73.0%
Basic net earnings per common share ($)	**0.40**	0.23	0.17	73.9%
Same-store sales growth (%)	**2.1%**	2.8%		
Operating margin	**3.4%**	2.4%		
EBITDA[(2)]	**$ 358**	$ 286	72	25.2%
EBITDA margin[(2)]	**5.3%**	4.4%		

- The Company remains on track and is continuing to focus on its food offering, store enhancements, product innovation, infrastructure improvements and customer value.
- Sales and same-store sales growth in the first quarter of 2009 were affected:
  - negatively by approximately 0.8% as a result of the shift of the Easter holiday into the second quarter of 2009;
  - negatively by approximately 0.7% as a result of a strike in certain *Maxi* stores in Quebec; and
  - positively by approximately 0.4% due to the shift of New Years day into the fourth quarter of 2008 and the resulting extra selling day in the first quarter of 2009.
- Sales growth in the quarter was negatively affected by 0.5% due to the sale of the Company's food service business in the last quarter of 2008.
- In the first quarter of 2009:
  - sales growth in both food and drugstore was strong;
  - apparel sales growth was moderate while sales of other general merchandise declined significantly;
  - gas bar sales declined as a result of lower retail gas prices, despite moderate volume growth; and
  - internal retail food price inflation was below food price inflation as measured by "The Consumer Price Index for Food Purchased from Stores" and lower than the fourth quarter of 2008. In the first quarter of 2008, the Company experienced internal retail food price deflation.

(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. 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 12 of this report.

(3) See note 2 to the unaudited interim consolidated financial statements on page 19 of this report.

- Gross profit as a percentage of sales was 24.0%, an increase of 120 basis points. The improvement was attributable to the Company's focus on cost reduction including initiatives to reduce shrink, buying synergies and more disciplined vendor management. Sales mix, successful promotional campaigns and inflation also attributed to the improvements.

- Operating income in the first quarter of 2009 was influenced by charges related to the effect of stock-based compensation net of equity forwards of $19 million in 2009 compared with $25 million in 2008. The effect on basic net earnings per common share was a charge of $0.07 (2008 - $0.10).

- The Company incurred an incremental cost of $23 million in 2009 related to its investment in information technology and supply chain, which negatively affected basic net earnings per common share by $0.05.

- Operating income and operating margin were positively influenced by improved gross profit and lower net stock-based compensation costs, partially offset by the incremental investment in information technology and supply chain.

- EBITDA(1) was positively affected in the quarter by higher sales, the improvement in gross profit, lower net stock-based compensation costs and was partially offset by the incremental investment in information technology and supply chain.

"Along with the rest of the food retail industry, our results have benefited from food price inflation. Our focus remains on consistent execution while undertaking aggressive store renovation and infrastructure programs," said Galen G. Weston, Executive Chairman, Loblaw Companies Limited, "We remain cautious and prepared for continuing challenges through 2009, as inflation could unwind and economic conditions remain volatile."

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

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Forward-Looking Statements

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

These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the possibility that the Company's plans and objectives will not be achieved. These risks and uncertainties include, but are not limited to: changes in economic conditions including the rate of inflation; 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 results 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 stock-based compensation and equity forward contracts relating to 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; changes in interest and currency exchange rates; the inability of the Company to collect on its credit card receivables; any requirement of the Company to make contributions to its registered funded defined benefit pension plans in excess of those currently contemplated; the inability of the Company to attract and retain key executives; and quality control issues with vendors. These and other risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Risks and Risk Management section of the Management's Discussion and Analysis included in the Company's 2008 Annual Report – Financial Review. These forward-looking statements reflect management's current assumptions regarding these risks and uncertainties and their respective impact on the Company.

Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this 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 2009 unaudited interim period consolidated financial statements and the accompanying notes on pages 18 to 25 of this Quarterly Report and the audited annual consolidated financial statements and the accompanying notes for the year ended January 3, 2009 and the related annual MD&A included in the Company's 2008 Annual Report – Financial Review. The Company's 2009 unaudited interim period consolidated financial statements and the accompanying notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars. These interim period consolidated financial statements include the accounts of Loblaw Companies Limited and its subsidiaries and variable interest entities ("VIEs") that the Company is required to consolidate in accordance with Accounting Guideline 15, "Consolidation of Variable Interest Entities". A glossary of terms used throughout this Quarterly Report can be found on page 83 of the Company's 2008 Annual Report – Financial Review. In addition, this Quarterly Report includes the following terms: "rolling year return on net assets[(1)]" which is defined as cumulative operating income for the latest four quarters divided by average net assets[(1)] and "rolling year return on shareholders' equity" which is defined as cumulative net earnings available to common shareholders for the latest four quarters divided by average total common shareholders' equity.

The information in this MD&A is current to May 4, 2009, unless otherwise noted.

Results of Operations

The Company continued to make steady progress in its turnaround efforts in the first quarter of 2009. The Company remains on track and is continuing to focus on its food offering, store enhancements, product innovation, infrastructure improvements and customer value.

Sales Sales for the first quarter increased by 2.9% to $6,718 million compared to $6,527 million in the first quarter of 2008.

The following factors explain the major components in the change in sales for the first quarter of 2009 compared to the same period in 2008:

- same-store sales growth of 2.1%;
- a shift in Easter holiday sales into the second quarter of 2009 resulted in lower sales and same-store sales growth of approximately 0.8% during the first quarter;
- an additional selling day in the first week of 2009 due to New Year's Day occurring in the fourth quarter of 2008 resulted in higher sales and same-store sales growth of approximately 0.4%;
- sales and same-store sales growth were negatively impacted by 0.7% due to a strike in certain *Maxi* stores in Quebec. These stores reopened during the quarter except two stores that closed permanently;
- sales growth was negatively impacted by 0.5% due to the sale of the Company's food service business in the fourth quarter of 2008;
- sales growth in both food and drugstore was strong;
- apparel sales growth was moderate while other general merchandise sales growth declined significantly due to reductions in discretionary consumer spending, the timing of Easter and reductions in assortment and square footage;
- gas bar sales declined as a result of lower retail gas prices, despite moderate volume growth;
- internal retail food price inflation was below the national food price inflation of 9.0% as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI") and lower than the fourth quarter of 2008. In the first quarter of 2008, the Company experienced internal retail food price deflation. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores; and
- during the first quarter of 2009, net retail square footage remained flat despite the opening of 3 new corporate and franchised stores and the closure of 8 corporate and franchised stores. During the latest four quarters 34 new corporate and franchised stores were opened, including stores that underwent conversions and major expansions, and 40 corporate and franchised stores were closed, resulting in a net increase of 0.1 million square feet or 0.3%.

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

Gross Profit Gross profit increased by $124 million to $1,614 million in the first quarter of 2009 compared to $1,490 million in 2008. Gross profit as a percentage of sales was 24.0% in the first quarter of 2009 compared to 22.8% in 2008. The increase in gross profit and gross profit as a percentage of sales was due to the Company's focus on cost reduction including initiatives to reduce shrink, buying synergies, and more disciplined vendor management. Sales mix, successful promotional campaigns and inflation also contributed to the improvements.

Operating Income Operating income was $226 million for the first quarter of 2009 compared to $156 million in the same period of 2008, an increase of 44.9%. Operating margin was 3.4% for the first quarter of 2009 compared to 2.4% in 2008. Partially offsetting the improvement in gross profit were costs of $23 million related to the Company's incremental investment in information technology and supply chain. Operating income for the first quarter of 2009 was also influenced by a charge of $19 million (2008 − $25 million) related to stock-based compensation net of the equity forwards as described in note 15 to the unaudited interim consolidated financial statements. The non-cash charge on equity forwards resulted from a decrease in the Company's share price during the first quarter of 2009.

The Company experienced slightly higher store labour costs in the first quarter of 2009 as a result of wage inflation and ongoing investments in service.

EBITDA[(1)] increased by $72 million, or 25.2%, to $358 million in the first quarter of 2009 compared to $286 million in the first quarter of 2008. EBITDA margin[(1)] increased in the first quarter of 2009 to 5.3% from 4.4% in the comparable period of 2008. The increases in EBITDA[(1)] and EBITDA margin[(1)] were due to higher sales, the improvement in gross profit, lower net stock-based compensation costs and were partially offset by the incremental investment in information technology and supply chain.

Interest Expense and Other Financing Charges Interest expense and other financing charges for the first quarter of 2009 were $61 million compared to $58 million in the same period of 2008. The following items impacted interest expense and other financing charges:

- interest on long term debt of $63 million (2008 – $66 million);
- interest on financial derivative instruments, which includes the effect of the Company's interest rate swaps, cross currency swaps and equity forwards, of $1 million (2008 – income of $1 million);
- net short term interest expense of nil (2008 – $1 million);
- interest income on security deposits of $1 million (2008 - $3 million);
- dividends on capital securities of $3 million (2008 − nil); and
- interest expense of $5 million (2008 – $5 million) was capitalized to fixed assets.

Income Taxes The effective income tax rate in the first quarter of 2009 increased to 37.0% compared to 36.7% in the first quarter of 2008 primarily due to a change in the proportion of taxable income earned across different tax jurisdictions and the tax impact of non-deductible and non-taxable amounts which was partially offset by a reduction in current year income tax expense relating to certain income tax matters relative to the prior year.

Net Earnings Net earnings for the first quarter increased by $46 million, or 73.0%, to $109 million from $63 million in the first quarter of 2008. Basic net earnings per common share for the first quarter increased by $0.17, or 73.9%, to $0.40 from $0.23 in the first quarter of 2008.

Basic net earnings per common share was affected in the first quarter of 2009 compared to the first quarter of 2008 by a charge of $0.07 (2008 – $0.10) per common share for the net effect of stock-based compensation net of equity forwards as described in note 15 to the unaudited interim consolidated financial statements.

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

Financial Condition

Financial Ratios The Company's net debt[1] to equity ratio continued to be within the Company's internal guideline of less than 1:1. The net debt[1] to equity ratio was 0.59:1 at the end of the first quarter of 2009 compared to 0.74:1 at the end of the first quarter of 2008 and 0.55:1 at year end 2008. Equity for the purpose of calculating the net debt[1] to equity ratio is defined by the Company as capital securities and shareholders' equity. The increase in the net debt[1] to equity ratio at the end of the first quarter of 2009 when compared to year end 2008 was due to the increase in short term debt which was required to fund working capital. The interest coverage ratio was 3.4 times for the first quarter of 2009 compared to 2.5 times in 2008.

The rolling year return on net assets[1] at the end of the first quarter of 2009 increased to 11.0%, compared to 7.5% for the comparable period in 2008, and to 10.7% at year end 2008. The rolling year return on shareholders' equity at the end of the first quarter of 2009 increased to 10.5%, compared to 6.3% at the end of the first quarter of 2008, and to 9.7% at year end 2008. The ratios in the first quarter of 2009 were positively impacted by the increase in cumulative operating income for the latest four quarters.

Dividends The Company's Board of Directors declared a dividend of $0.21 per common share with a payment date of April 1, 2009 and $0.37 per second preferred share Series A with a payment date of April 30, 2009. Subsequent to quarter end, the Board declared a quarterly dividend of $0.21 per common share payable on July 1, 2009 and a quarterly dividend of $0.37 per second preferred share Series A payable July 31, 2009.

Outstanding Share Capital The Company's outstanding share capital is comprised of common shares and preferred shares. An unlimited number of common shares is authorized and 274,173,564 common shares were outstanding at quarter end. In addition, 12 million second preferred shares Series A are authorized and 9 million of these shares were outstanding at the end of the first quarter of 2009. The preferred shares are classified as capital securities and are included in liabilities. Further information on the Company's outstanding share capital is provided in note 13 to the unaudited interim period consolidated financial statements.

Liquidity and Capital Resources

Cash Flows used in Operating Activities First quarter cash flows used in operating activities were $356 million in 2009 compared to $327 million in the comparable period in 2008. The increase in cash flows used in operating activities for the first quarter was mainly due to the change in non-cash working capital as a result of changes in accounts payable and accrued liabilities. These changes were partially offset by an increase in operating income.

Cash Flows used in (from) Investing Activities First quarter cash flows used in investing activities were $30 million compared to cash flows from investing activities of $106 million in 2008. The first quarter change was primarily due to the change in short term investments and the increase in cash flows from credit card receivables after securitization. Capital investment for the first quarter amounted to $123 million (2008 - $113 million). The Company's estimate of the capital investment for 2009 is approximately $750 million.

Cash Flows from Financing Activities First quarter cash flows from financing activities were $282 million in 2009 compared to $346 million in 2008. The change was primarily due to the repayment of the Company's $125 million 5.75% medium term note, partially offset by lower dividend payments as a result of the timing of the payment of common share dividends. During the first quarter of 2009, short term debt increased by $384 million primarily to fund working capital requirements and repay the $125 million medium term note.

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

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

Net debt[1] was $3,586 million at the end of the first quarter of 2009 compared to $4,063 million at the end of the first quarter of 2008. The decrease of $477 million was partially due to the $218 million issuance of capital securities in the third quarter of 2008, the proceeds of which were used to repay a portion of the Company's short term debt. During the first quarter of 2009 net debt[1] increased by $293 million, primarily due to an increase in short term debt which was required to fund working capital. During the first quarter of 2008, net debt[1] increased by $494 million.

Sources of Liquidity

Cash and cash equivalents, short term investments, future operating cash flow and the amounts available to be drawn against the Company's 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, 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.

From time to time, *PC* Bank, a wholly owned subsidiary of the Company, securitizes credit card receivables through the sale of a portion of the total interest in these receivables to independent trusts. 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 (2009 – $116 million; 2008 - $89 million) on a portion of the securitized amount. A portion of the securitized receivables is held by an independent trust facility with a term of 364 days, subject to annual renewal. If the facility is not renewed, collections must be accumulated prior to the expiry and the amount of that portion of the securitized receivables repaid to the trust. In the absence of securitization, the Company would be required to raise alternative financing by issuing additional debt or equity instruments. During the first quarter of 2009, one of these independent trusts filed a base shelf prospectus which permits it to issue up to $1.5 billion of notes over a 25 month period. Any issuance of notes is subject to the availability of credit markets.

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.

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	Negative
Medium term notes	BBB	Negative	BBB	Negative
Preferred shares	Pfd-3	Negative	P-3 (high)	
Other notes and debentures	BBB	Negative	BBB	Negative

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

The Company'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 short term and long term debt requirements. The Company mitigates these risks by maintaining appropriate levels of cash and cash equivalents, short term investments and security deposits, actively monitoring market conditions and diversifying its sources of funding and maturity profile.

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

Subsequent to the first quarter of 2009, 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 13,708,678 of the Company's common shares, representing 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 Bids in the first quarter of 2009.

Independent Funding Trusts

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

The gross principal amount of loans issued to the Company's independent franchisees by the independent trusts at the end of the first quarter of 2009 was \$383 million (2008 – \$402 million) including \$153 million (2008 – \$165 million) of loans payable by VIEs consolidated by the Company. The Company has agreed to provide credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trust equal to approximately 15% (2008 − 10%) of the principal amount of the loans outstanding at any point in time. At the end of the first quarter of 2009, \$66 million (2008 − \$44 million) was available as a standby letter of credit. This standby letter of credit has never been drawn upon.

Subsequent to the first quarter of 2009, the Company renewed the \$475 million, 364-day revolving committed credit facility that is the source of funding to the independent trusts. The new financing structure requires further review to determine if there are implications with respect to the consolidation of VIEs.

Equity Forward Contracts

At quarter end, the Company had cumulative equity forwards to buy 4.8 million (2008 – 4.8 million) of its common shares at a cumulative average forward price of \$54.73 (2008 – \$53.73) including \$9.86 (2008 – \$8.86) per common share of interest expense, net of dividends. At the end of the first quarter of 2009 the cumulative interest and unrealized market loss of \$113 million (2008 - \$119 million) is included in accounts payable and accrued liabilities. Subsequent to the end of the quarter, the Company and the counterparty agreed to terminate a portion of the equity forwards representing 1.6 million shares, which will lead to the extinguishment of a portion of the liability. Based on the market value of the Company's share price at the end of the quarter, the Company would be required to pay approximately \$41 million.

Employee Future Benefit Contributions

During the first quarter of 2009, the Company contributed \$21 million (2008 - \$13 million) to its registered funded defined benefit pension plans. The Company expects to contribute \$100 million to these plans during 2009. This estimate may vary subject to 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 its funding requirements, employee future benefit costs and actuarial assumptions.

Quarterly Results of Operations

The 52 week reporting cycle followed by the Company is divided into four quarters of 12 weeks each except for the third quarter, which is 16 weeks in duration. Every 5 years the fourth quarter is 13 weeks in duration which occurred in fiscal 2008 and will reoccur in fiscal 2013. The following is a summary of selected consolidated financial information derived from the Company's unaudited interim period consolidated financial statements for each of the eight most recently completed quarters.

Summary of Quarterly Results
(unaudited)

($ millions except where otherwise indicated)	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
	2009 **(12 weeks)**	2008 (12 weeks – restated[1])	2008 (13 weeks – restated[1])	2007 (12 weeks – restated[1])	2008 (16 weeks – restated[1])	2007 (16 weeks – restated[1])	2008 (12 weeks – restated[1])	2007 (12 weeks – restated[1])
Sales	**$ 6,718**	$ 6,527	$ 7,745	$ 6,967	$ 9,493	$ 9,137	$ 7,037	$ 6,933
Net earnings	**$ 109**	$ 63	$ 190	$ 43	$ 157	$ 117	$ 140	$ 120
Net earnings per common share Basic and diluted ($)	**$ 0.40**	$ 0.23	$ 0.69	$ 0.16	$ 0.57	$ 0.43	$ 0.51	$ 0.44

Sales grew in the first quarter of 2009 compared to the first quarter of 2008. Same-store sales growth in the first quarter of 2009 was 2.1%. Sales and same-store sales growth in the first quarter of 2009 were impacted:

- negatively by approximately 0.8% due to the timing of the Easter holiday, which resulted in a shift of sales into the second quarter of 2009 as compared to the first quarter of 2008;
- negatively by approximately 0.7% due to a strike in certain *Maxi* stores in Quebec; and
- positively by approximately 0.4% due to the shift of New Year's day into the fourth quarter of 2008 and the resulting extra selling day in the first quarter of 2009.

Sales growth in the first quarter of 2009 was negatively affected by 0.5% due to the sale of the Company's food service business in the last quarter of 2008. Sales increased in each quarter compared to the prior year due to same-store sales increases. Quarterly same-store sales growth for 2008 for the second to fourth quarters was 0.7%, 3.0% and 10.6%, respectively. The extra selling week in the fourth quarter of 2008 positively impacted sales and same-store sales growth by 7.9%.

Fluctuations in quarterly net earnings reflect the underlying operations of the Company as well as the impact of a number of specific charges including restructuring and other charges, the net effect of stock-based compensation net of the equity forwards and costs related to the incremental investment in information technology and supply chain. Earnings in the first and second quarters of 2008 and the fourth quarter of 2007 were pressured from investments in lower retail pricing. Quarterly net earnings are also impacted 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.

Management has evaluated whether there were changes in the Company's internal controls over financial reporting that occurred during the period beginning January 4, 2009 and ended on March 28, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Management has determined that no material changes occurred during this period.

(1) See note 2 to the unaudited interim consolidated financial statements on page 19 of this report.

Risks and Risk Management

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

Economic Environment In the last six months of 2008 and continuing into 2009, economic conditions in Canada and the United States deteriorated significantly, which may impact the Company's operations negatively in the future as increased unemployment levels, changes in interest rates, reduced access to credit or changes in inflation could impact consumer spending and ultimately negatively affect the Company's sales and margins. Inflationary trends are unpredictable and changes in the rate of inflation may affect consumer prices which may have a negative effect on results. Management regularly monitors economic conditions and their impact on the Company's operations and actively considers these factors in making short term operating and longer term strategic decisions.

Accounting Standards Implemented in 2009

Goodwill and Intangible Assets In November 2007, the CICA issued amendments to Section 1000 "Financial Statement Concepts", and AcG 11 "Enterprises in the Development Stage", issued a new Handbook Section 3064 "Goodwill and Intangible Assets" ("Section 3064") to replace Section 3062 "Goodwill and Other Intangible Assets", withdrew Section 3450 "Research and Development Costs" and amended Emerging Issues Committee ("EIC") Abstract 27 "Revenues and Expenditures During the Pre-operating Period" to not apply to entities that have adopted Section 3064. These amendments provide guidance for the recognition of 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 has implemented the standard effective for the first quarter of 2009, retroactively with restatement of the comparative periods for the prior year. Restatement of the comparative period resulted in a decrease to other assets of $48 million, an increase in selling and administrative expenses of $5 million, a decrease in depreciation and amortization of $6 million, a decrease to retained earnings of $31 million, and a decrease of the future income taxes liability of $17 million and a nominal increase to the future tax expense. Upon implementation of these requirements a decrease in other assets of $42 million, a decrease in the future income tax liability of $15 million and a decrease to opening retained earnings of $27 million were recorded on the consolidated balance sheet as at January 3, 2009.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities On January 20, 2009 EIC Abstract No.173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (EIC 173)" 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 resulting from the implementation of EIC 173 require the abstract to be applied retrospectively without restatement of prior periods. The Company has remeasured the financial assets and financial liabilities, including derivative instruments, as at the beginning of the period of adoption, January 4, 2009, to take into account its own credit risk and counterparty credit risk. Upon implementation of this abstract, a decrease in other assets of $12 million, a decrease in other liabilities of $4 million, a decrease net of income taxes in accumulated other comprehensive income of $2 million and a decrease in retained earnings of $6 million, were recorded in the consolidated balance sheet.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board will require all public companies to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition from Canadian GAAP to IFRS will take place in the first quarter of 2011 at which time the Company will report both the current and comparative financial information using IFRS.

The Company has established a project structure including an IFRS team led by the Chief Financial Officer to ensure the timely and appropriate implementation of IFRS. The IFRS team consists of dedicated resources as well as consultants and other employees on an as needed basis. This team reports regularly to a steering committee comprised of senior management, as well as to the audit committee.

The Company has developed an IFRS conversion project plan consisting of three main phases:

Phase One: Diagnostic Impact Assessment This phase consisted of a high-level impact assessment that identified the key areas of accounting differences between Canadian GAAP and IFRS that are likely to impact the Company. The diagnostic impact assessment was completed in 2008 and resulted in the ranking of accounting differences as high, medium, or low priority for further analysis.

Phase Two: Detailed Assessment This phase involved a comprehensive assessment of the differences between IFRS and the Company's current accounting policies, and included reviews of the differences with the various finance groups and business process owners to further understand the impact of these differences. The detailed assessment was completed in April 2009 at which time the potential changes to existing accounting policies, business processes and information systems were identified.

Phase Three: Implementation This phase includes two components: Implementation Development and Implementation Transition.

The implementation development phase is currently in progress, and involves an analysis of policy alternatives under IFRS, including certain exemptions and elections available on transition. In addition, during this phase the design and development of the required changes to business processes and supporting information systems will be addressed.

The implementation transition phase will involve the final approval of accounting policies, including transitional elections, the execution of changes to business processes and supporting information systems, and the training of finance, operational and other staff. This phase will result in the compilation of IFRS transitional adjustments, as required, as well as IFRS financial statements with required reconciliations to Canadian GAAP.

The International Accounting Standards Board work plan anticipates the completion of several projects during 2010 and 2011 that could affect the differences between Canadian GAAP and IFRS and the impact on the Company's financial statements in future years. At this time, the Company cannot quantify the impact that the future adoption of IFRS will have on the Company's financial statements and operating performance measures.

Outlook[(1)]

The Company is focused on continuing to embed consistent execution across the business while undertaking aggressive store renovation and infrastructure programs. The Company remains cautious and prepared for continuing challenges throughout 2009 as inflation could unwind and economic conditions remain volatile.

Additional Information

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

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

Non-GAAP Financial Measures

The Company uses the following non-GAAP financial measures: EBITDA and EBITDA margin, net debt, net debt to equity and rolling year return on net assets. Historically, the Company utilized free cash flow and return on average total assets as non-GAAP financial measures. Management believes the rolling year return on net assets is a more complete measure of the return on productive 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, may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other financial measures determined in accordance with Canadian GAAP.

EBITDA and EBITDA Margin The following table reconciles earnings before minority interest, income taxes, interest expense, depreciation and amortization ("EBITDA") to operating income which is reconciled to Canadian GAAP net earnings measures reported in the unaudited interim period consolidated statements of earnings, for the twelve weeks ended March 28, 2009 and March 22, 2008. 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)	**2009 (12 weeks)**	2008 (12 weeks – restated[1])
Net earnings	**$ 109**	$ 63
Add (deduct) impact of the following:		
Minority interest	**(5)**	(1)
Income taxes	**61**	36
Interest expense and other financing charges	**61**	58
Operating income	**226**	156
Add impact of the following:		
Depreciation and amortization	**132**	130
EBITDA	**$ 358**	$ 286

(1) See note 2 to the unaudited interim consolidated financial statements.

Net Debt The following table reconciles net debt used in the net debt to equity ratio to Canadian GAAP measures reported as at the periods ended as indicated. In the first quarter of 2009, the Company revised its definition of net debt to include the fair value of financial derivative assets and liabilities as the Company believes the measure should contain all interest bearing financing arrangements.

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

($ millions)	**As at March 28, 2009**	As at March 22, 2008	As at January 3, 2009	As at December 29, 2007
Bank indebtedness	**$ 77**	$ 97	$ 52	$ 3
Short term debt	**574**	736	190	418
Long term debt due within one year	**39**	560	165	432
Long term debt	**4,079**	3,733	4,070	3,852
Fair value of financial derivative liabilities (assets)	**46**	(87)	6	(159)
	4,815	5,039	4,483	4,546
Less: Cash and cash equivalents	**438**	574	528	430
Short term investments	**319**	57	225	225
Security deposits	**472**	345	437	322
Net debt	**$ 3,586**	$ 4,063	$ 3,293	$ 3,569

The Second Preferred Shares are classified as capital securities and are excluded from the calculation of net debt because the Company at its option can convert the Second Preferred Shares into common shares. Fair value of financial derivatives are not credit value adjusted in accordance with EIC 173, see note 2 to the unaudited interim consolidated financial statements.

Net Assets The following table reconciles net assets used in the rolling year return on net assets ratio to Canadian GAAP measures reported as at the periods ended as indicated. Historically, the Company utilized return on average total net assets as a non-GAAP financial measure. Management believes the rolling year return on net assets is a more complete measure of the return on productive assets.

Net assets is calculated as total assets less cash and cash equivalents, short term investments, security deposits and accounts payable and accrued liabilities. Rolling year return on net assets is calculated as cumulative operating income for the latest four quarters divided by average net assets.

($ millions)	**As at March 28, 2009**	As at March 22, 2008 (restated[1])	As at January 3, 2009 (restated[1])
Canadian GAAP total assets	**$ 13,814**	$ 13,488	$ 13,943
Less: Cash and cash equivalents	**438**	574	528
Short term investments	**319**	57	225
Security deposits	**472**	345	437
Accounts payable and accrued liabilities	**2,370**	2,350	2,823
Net assets	**$ 10,215**	$ 10,162	$ 9,930

(1) See note 2 to the unaudited interim consolidated financial statements.

Consolidated Statements of Earnings

(unaudited)

For the periods ended March 28, 2009 and March 22, 2008 ($ millions except where otherwise indicated)	2009 (12 weeks)	2008 (12 weeks – restated[1])
Sales	**$ 6,718**	$ 6,527
Cost of Merchandise Inventories Sold (note 9)	**5,104**	5,037
Gross Profit	**1,614**	1,490
Operating Expenses		
Selling and administrative expenses	**1,256**	1,204
Depreciation and amortization	**132**	130
	1,388	1,334
Operating Income	**226**	156
Interest expense and other financing charges (note 3)	**61**	58
Earnings before Income Taxes and Minority Interest	**165**	98
Income taxes (note 4)	**61**	36
Net Earnings before Minority Interest	**104**	62
Minority interest	**(5)**	(1)
Net Earnings	**$ 109**	$ 63
Net Earnings Per Common Share ($) (note 5)		
Basic and diluted	**$ 0.40**	$ 0.23

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

(1) See note 2 to the unaudited interim consolidated financial statements.

Consolidated Statements of Changes in Shareholder's Equity

(unaudited)

For the periods ended March 28, 2009 and March 22, 2008 ($ millions except where otherwise indicated)	**2009 (12 weeks – restated[1])**	2008 (12 weeks – restated[1])
Common Share Capital, Beginning and End of Period	**$ 1,196**	$ 1,196
Retained Earnings, Beginning of Period	**$ 4,577**	$ 4,289
Cumulative impact of implementing new accounting standards (note 2)	**(6)**	(32)
Net earnings	**109**	63
Dividends declared per common share – 21¢ (2008 – 21¢)	**(58)**	(58)
Retained Earnings, End of Period	**$ 4,622**	$ 4,262
Accumulated Other Comprehensive Income, Beginning of Period	**$ 30**	$ 19
Cumulative impact of implementing new accounting standards (note 2)	**(2)**	–
Other comprehensive loss	**(5)**	(1)
Accumulated Other Comprehensive Income, End of Period (note 14)	**$ 23**	$ 18
Total Shareholders' Equity	**$ 5,841**	$ 5,476

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

Consolidated Statements of Comprehensive Income

(unaudited)

For the periods ended March 28, 2009 and March 22, 2008 ($ millions)	**2009 (12 weeks)**	2008 (12 weeks – restated[1])
Net earnings	**$ 109**	$ 63
Other comprehensive income, net of income taxes		
Net unrealized gain on available-for-sale financial assets	**7**	9
Reclassification of net (gain) loss on available-for-sale financial assets to net earnings	**(14)**	12
	(7)	21
Net loss on derivatives designated as cash flow hedges	**(3)**	(9)
Reclassification of net loss (gain) on derivatives designated as cash flow hedges to net earnings	**5**	(13)
	2	(22)
Other comprehensive loss	**(5)**	(1)
Total Comprehensive Income	**$ 104**	$ 62

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

(1) See note 2 to the unaudited interim consolidated financial statements.

Consolidated Balance Sheets

($ millions)	As at March 28, 2009 (unaudited)	As at March 22, 2008 (restated[1]) (unaudited)	As at January 3, 2009 (restated[1]) (audited)
Assets			
Current Assets			
Cash and cash equivalents (note 6)	**$ 438**	$ 574	$ 528
Short term investments	**319**	57	225
Accounts receivable (notes 7 and 8)	**620**	840	867
Inventories (notes 2 and 9)	**2,242**	1,912	2,188
Income taxes	**78**	172	40
Future income taxes	**34**	58	41
Prepaid expenses and other assets	**64**	34	71
Total Current Assets	**3,795**	3,647	3,960
Fixed Assets	**8,051**	7,943	8,045
Goodwill	**807**	807	807
Other Assets	**1,161**	1,091	1,131
Total Assets	**$ 13,814**	$ 13,488	$ 13,943
Liabilities			
Current Liabilities			
Bank indebtedness	**$ 77**	$ 97	$ 52
Short term debt (note 11)	**574**	736	190
Accounts payable and accrued liabilities	**2,370**	2,350	2,823
Long term debt due within one year	**39**	560	165
Total Current Liabilities	**3,060**	3,743	3,230
Long Term Debt	**4,079**	3,733	4,070
Future Income Taxes	**148**	154	156
Other Liabilities	**452**	368	445
Capital Securities	**219**	–	219
Minority Interest	**15**	14	20
Total Liabilities	**7,973**	8,012	8,140
Shareholders' Equity			
Common Share Capital	**1,196**	1,196	1,196
Retained Earnings	**4,622**	4,262	4,577
Accumulated Other Comprehensive Income (note 14)	**23**	18	30
Total Shareholders' Equity	**5,841**	5,476	5,803
Total Liabilities and Shareholders' Equity	**$ 13,814**	$ 13,488	$ 13,943

Contingencies, commitments and guarantees (note 16).

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

(1) See note 2 to the unaudited interim consolidated financial statements.

Consolidated Cash Flow Statements
(unaudited)

For the periods ended March 28, 2009 and March 22, 2008 ($ millions)	2009 (12 weeks)	2008 (12 weeks – restated[1])
Operating Activities		
Net earnings before minority interest	**$ 104**	$ 62
Depreciation and amortization	**132**	130
Future income taxes	**6**	(9)
Change in non-cash working capital	**(584)**	(532)
Other	**(14)**	22
Cash Flows used in Operating Activities	**(356)**	(327)
Investing Activities		
Fixed asset purchases	**(123)**	(113)
Short term investments	**(89)**	189
Proceeds from fixed asset sales	**5**	10
Credit card receivables, after securitization (note 7)	**229**	74
Franchise investments and other receivables	**(17)**	(18)
Other	**(35)**	(36)
Cash Flows (used in) from Investing Activities	**(30)**	106
Financing Activities		
Bank indebtedness	**25**	94
Short term debt (note 11)	**384**	318
Long term debt		
Issued	**8**	5
Retired (note 12)	**(135)**	(13)
Dividends	**–**	(58)
Cash Flows from Financing Activities	**282**	346
Effect of foreign currency exchange rate changes on cash and cash equivalents	**14**	19
Change in Cash and Cash Equivalents	**(90)**	144
Cash and Cash Equivalents, Beginning of Period	**528**	430
Cash and Cash Equivalents, End of Period	**$ 438**	$ 574

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

(1) See note 2 to the unaudited interim 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 2008 audited annual consolidated financial statements and related notes for the year ended January 3, 2009 contained in the Annual Report – Financial Review ("2008 Annual Report") except as described in note 2. Under Canadian GAAP, additional disclosure is required in annual financial statements and accordingly the unaudited interim period consolidated financial statements should be read together with the audited annual consolidated financial statements and the accompanying notes included in the Loblaw Companies Limited 2008 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" or "Loblaw". The Company's interest in the voting share capital of its subsidiaries is 100%.

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

Inventories The Company values merchandise inventories at the lower of cost and net realizable value. Costs include the costs of purchase net of vendor allowances plus other costs, such as transportation and shrink, that are directly incurred to bring inventories to their present location and condition.

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

Certain estimates, such as those related to valuation of inventories, goodwill, income taxes, Goods and Services Tax and provincial sales taxes, fixed 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, and energy markets and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

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 AcG 11 "Enterprises in the Development Stage", issued a new Handbook Section 3064 "Goodwill and Intangible Assets" ("Section 3064") to replace Section 3062 "Goodwill and Other Intangible Assets", withdrew Section 3450 "Research and Development Costs" and amended Emerging Issues Committee ("EIC") Abstract 27 "Revenues and Expenditures During the Pre-operating Period" to not apply to entities that have adopted Section 3064. These amendments provide guidance for the recognition of 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 has implemented the standard effective for the first quarter of 2009, retroactively with restatement of the comparative periods for the prior year. Restatement of the comparative period resulted in a decrease to other assets of $48, an increase in selling and administrative expenses of $5, a decrease in depreciation and amortization of $6, a decrease to retained earnings of $31, and a decrease of the future income taxes liability of $17 and a nominal increase to the future tax expense. Upon implementation of these requirements a decrease in other assets of $42, a decrease in the future income tax liability of $15 and a decrease to opening retained earnings of $27 were recorded on the consolidated balance sheet as at January 3, 2009.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities On January 20, 2009 EIC Abstract No.173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (EIC 173)" 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 resulting from the implementation of EIC 173 require the abstract to be applied retrospectively without restatement of prior periods. The Company has remeasured the financial assets and financial liabilities, including derivative instruments, as at the beginning of the period of adoption, January 4, 2009, to take into account its own credit risk and counterparty credit risk. Upon implementation of this abstract, 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.

Accounting Standards Implemented in 2008

Capital Disclosures and Financial Instruments - Disclosure and Presentation In December 2006, the CICA issued three new accounting standards: Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation". The adoption of these sections did not have an impact on the Company's results of operations or financial condition.

Inventories Effective January 1, 2008, the Company implemented Section 3031, "Inventories" ("Section 3031"), issued by the CICA in June 2007, which replaced Section 3030 of the same title. The transitional adjustments resulting from the implementation of Section 3031 were recognized in the 2008 opening balance of retained earnings. Upon implementation of these requirements, a decrease in opening inventories of $65, an increase in current taxes receivable of $24 and a decrease of $41 to opening retained earnings as at December 30, 2007 were recorded on the consolidated balance sheet resulting mainly from the application of a consistent cost formula for all inventories having a similar nature and use.

See note 2 of the 2008 Annual Report for further information.

Note 3. Interest Expense and Other Financing Charges

($ millions)	2009 (12 weeks)	2008 (12 weeks)
Interest on long term debt	$ 63	$ 66
Interest expense (income) on financial derivative instruments	1	(1)
Net short term interest expense	–	1
Interest income on security deposits	(1)	(3)
Dividends on capital securities	3	–
Capitalized to fixed assets	(5)	(5)
Interest expense	$ 61	$ 58

In the first quarter of 2009, net interest expense of $59 (2008 – $61) was recorded related to the financial assets and financial liabilities not classified as held-for-trading.

Interest and dividends on capital securities paid in the first quarter of 2009 was $84 (2008 – $103), and interest received was $21 (2008 – $45).

Note 4. Income Taxes

The effective income tax rate in the first quarter of 2009 increased to 37.0% compared to 36.7% in the first quarter of 2008 primarily due to a change in the proportion of taxable income earned across different tax jurisdictions and the tax impact of non-deductible and non-taxable amounts which was partially offset by a reduction in current year income tax expense relating to certain income tax matters relative to the prior year.

Net income taxes paid in the first quarter were $100 (2008 – $84).

Note 5. Basic and Diluted Net Earnings per Common Share ($, except where otherwise indicated)

	2009 (12 weeks)	2008 (12 weeks – restated[1])
Net earnings ($ millions)	$ 109	$ 63
Dividends on capital securities ($ millions)	3	–
Net earnings for diluted earnings per share ($ millions)	112	63
Weighted average common shares outstanding (in millions)	274.2	274.2
Dilutive effect of capital securities (in millions)	7.6	–
Diluted weighted average common shares outstanding (in millions)	281.8	274.2
Basic and diluted net earnings per common share ($)	$ 0.40	$ 0.23

Stock options outstanding with an exercise price greater than the market price of the Company's common shares at the end of the first quarter were not recognized in the computation of diluted net earnings per common share. Accordingly, for the first quarter of 2009, 4,581,412 (2008 – 9,572,128) stock options, with a weighted average exercise price of $52.69 (2008 – $44.19) per common share, were excluded from the computation of diluted net earnings per common share.

Note 6. Cash and Cash Equivalents

The components of cash and cash equivalents as at March 28, 2009, March 22, 2008 and January 3, 2009 were as follows:

	As at March 28, 2009	As at March 22, 2008	As at January 3, 2009
Cash	**$ 38**	$ 48	$ 42
Cash equivalents − short term investments with a maturity of 90 days or less:			
Bank term deposits	**–**	171	–
Government treasury bills	**156**	118	219
Government-sponsored debt securities	**82**	91	58
Corporate commercial paper	**162**	146	209
Cash and cash equivalents	**$ 438**	$ 574	$ 528

In the first quarter of 2009, the Company recognized an unrealized foreign currency exchange gain of $29 (2008 − $33) 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 $14 (2008 − $19) related to cash and cash equivalents. The resulting gain on cash and cash equivalents, short term investments and security deposits which are included in other assets is partially offset in operating income and other comprehensive income by the unrealized foreign currency exchange loss on the cross currency swaps.

Note 7. Accounts Receivable

From time to time, *President's Choice* Bank ("*PC* Bank"), a wholly owned subsidiary of the Company, securitizes credit card receivables through the sale of a portion of the total interest in these receivables to independent trusts. 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 independent trusts' recourse to *PC* Bank's assets is limited to *PC* Bank's retained interests and is further supported by the Company through a standby letter of credit for $116 (2008 – $89) on a portion of the securitized amount. Other receivables consist mainly of receivables from independent franchisees, associated stores and independent accounts.

($ millions)	**As at March 28, 2009**	As at March 22, 2008	As at January 3, 2009
Credit card receivables	**$ 1,974**	$ 1,947	$ 2,206
Amount securitized	**(1,775)**	(1,475)	(1,775)
Net credit card receivables	**199**	472	431
Other receivables	**421**	368	436
Accounts receivable	**$ 620**	$ 840	$ 867

Credit card receivables that are past due of $6 (2008 – $11) as at March 28, 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 26 of the Company's 2008 Annual Report. Other receivables that are past due but not impaired totalled $61 (2008 – $64) as at March 28, 2009.

Note 8. Allowances for Receivables

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

Credit Card Receivables

($ millions)	**12 weeks ended March 28, 2009**	12 weeks ended March 22, 2008	53 weeks ended January 3, 2009
Allowance at beginning of period	**$ (15)**	$ (13)	$ (13)
Provision for losses	**(3)**	(2)	(35)
Recoveries	**(1)**	(2)	(14)
Write-offs	**4**	4	47
Allowance at end of period	**$ (15)**	$ (13)	$ (15)

Other Receivables

($ millions)	**12 weeks ended March 28, 2009**	12 weeks ended March 22, 2008	53 weeks ended January 3, 2009
Allowance at beginning of period	**$ (24)**	$ (35)	$ (35)
Provision for losses	**(29)**	(8)	(81)
Write-offs	**16**	12	92
Allowance at end of period	**$ (37)**	$ (31)	$ (24)

Note 9. Inventories

The Company recorded $11 (2008 – $11) as an expense for the write-down of inventories below cost to net realizable value for inventories recorded as at March 28, 2009.

Note 10. Employee Future Benefits

The Company's total net benefit plan cost recognized in operating income was $44 (2008 – $39) for the first quarter. The total net benefit plan cost included costs for the Company's defined benefit pension and other benefit plans, defined contribution pension plans and multi-employer pension plans.

Note 11. Short Term Debt

As described in note 15 of the 2008 Annual Report, the Company's $800, 5-year committed credit facility, provided by a syndicate of banks, contains certain financial covenants. Interest is based on a floating rate, primarily the bankers' acceptance rate and an applicable margin based on the Company's credit rating. As at March 28, 2009, $574 (January 3, 2009 – $190, March 22, 2008 –$728) was drawn on the committed credit facility.

Note 12. Long Term Debt

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

As at March 28, 2009, $370 (USD $300) of fixed rate notes was recorded in long term debt on the consolidated balance sheet. For further information on the Company's policies with respect to managing debt and foreign exchange rate risk, refer to notes 1 and 26 of the Company's 2008 Annual Report.

Note 13. Share Capital ($)

During the first quarter of 2009, the Board of Directors declared dividends of $0.21 (2008 – $0.21) per common share and declared dividends of $0.37 per second preferred share. For financial statement presentation purposes, second preferred share dividends of $3 million are included as a component of interest expense and other financing charges on the Consolidated Statement of Earnings (see note 3).

Subsequent to the first quarter of 2009, Loblaw renewed its Normal Course Issuer Bid ("NCIB") to purchase on the Toronto Stock Exchange, or enter into equity derivatives to purchase, up to 13,708,678 of Company's common shares, representing approximately 5% of the common shares outstanding. In accordance with the rules and by-laws of the Toronto Stock Exchange, Loblaw may purchase its shares at the then market price of such shares. The Company did not purchase any shares under its NCIB during the first quarter of 2009 or fiscal 2008.

Note 14. Accumulated Other Comprehensive Income

The following table provides further detail regarding the composition of accumulated other comprehensive income for the 12 week periods ended March 28, 2009 and March 22, 2008:

	12 weeks ended					
	March 28, 2009			March 22, 2008		
($ millions)	**Cash Flow Hedges**	**Available-for-sale Assets**	**Total**	Cash Flow Hedges	Available-for-sale Assets	Total
Balance, beginning of period	**$ 14**	**$ 16**	**$ 30**	$ 22	$ (3)	$ 19
Cumulative impact of implementing new accounting standards [net of income taxes recovered of $1 (2008 – nil)] (see note 2)	**(2)**	**–**	**(2)**	–	–	–
Net unrealized gain on available-for-sale financial assets [net of income taxes of nil (2008 – nil)]	**–**	**7**	**7**	–	9	9
Reclassification of loss (gain) on available-for-sale financial assets [net of income taxes of nil (2008 – nil)]	**–**	**(14)**	**(14)**	–	12	12
Net loss on derivatives designated as cash flow hedges [net of income taxes of $1 (2008 – nil)]	**(3)**	**–**	**(3)**	(9)	–	(9)
Reclassification of loss (gain) on derivatives designated as cash flow hedges [net of income taxes of $3 (2008 – nil)]	**5**	**–**	**5**	(13)	–	(13)
Balance, end of period	**$ 14**	**$ 9**	**$ 23**	$ –	$ 18	$ 18

See note 23 of the Company's 2008 Annual Report for further details regarding the composition of accumulated other comprehensive income for the year ended January 3, 2009.

An estimated gain of $11 (2008 – $7) on interest rate swaps is expected to be reclassified to net earnings during the next 12 months. Remaining amounts on the interest rate swaps will be reclassified to net earnings over periods up to 3 years. A loss of $5 (2008 – $8) on cross currency swaps will be reclassified to net earnings over the next 12 months but will be partially offset by the gain on available-for-sale assets. Remaining amounts on the cross currency swaps will be reclassified to net earnings over periods up to 5 years.

Note 15. Stock-Based Compensation ($, except where otherwise indicated)

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

($ millions)	**2009 (12 weeks)**	2008 (12 weeks)
Stock option plan income	**$ (1)**	$ –
Equity forwards loss	**19**	25
Restricted share unit plan expense	**1**	–
Net stock-based compensation cost	**$ 19**	$ 25

Stock Option Plan During the first quarter of 2009, the Company paid the share appreciation value of a nominal amount (2008 − nil) on the exercise of 9,652 (2008 − nil) stock options. 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 2,640,846 (2008 − 3,303,557) stock options with an exercise price of $30.99 (2008 − $28.95) per common share during the first quarter of 2009. In addition, 324,600 (2008 − 264,185) stock options were forfeited or cancelled during the first quarter of 2009.

At the end of the first quarter of 2009, a total of 10,199,254 (2008 − 9,572,128) stock options were outstanding and represented approximately 3.7% (2008 − 3.5%) of the Company's issued and outstanding common shares, which was within the Company's guideline of 5%. The Company's market price per common share at the end of the first quarter was $31.12 (2008 − $28.82).

Restricted Share Unit ("RSU") Plan Under its existing RSU plan, the Company granted 425,093 RSUs (2008 − 352,268) in the first quarter of 2009. In addition, 18,022 (2008 – 20,163) RSUs were cancelled and 182,314 (2008 – 200,779) were settled in cash in the amount of $6 million (2008 – $7 million). At the end of the first quarter 1,054,156 (2008 – 900,013) RSUs remained outstanding.

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. These trusts are administered by a major Canadian chartered bank.

The gross principal amount of loans issued to the Company's independent franchisees outstanding as of March 28, 2009 was $383 (2008 − $402) including $153 (2008 − $165) of loans payable by VIEs consolidated by the Company. Based on a formula, the Company has agreed to provide credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trust equal to approximately 15% (2008 − 10%) of the principal amount of the loans outstanding at any point in time, $66 (2008 − $44) as of March 28, 2009. The standby letter of credit has not been drawn upon.

Subsequent to the first quarter of 2009, the Company renewed the $475 million, 364-day revolving committed credit facility that is the source of funding to the independent trusts. The new financing structure requires further review to determine if there are implications with respect to the consolidation of VIEs.

Legal Proceedings In 2008, the trustees of a multi-employer pension plan in which the Company's employees and those of its independent franchises participate are involved in proceedings brought by the Financial Services Commission of Ontario whereby it has been alleged that the trustees violated certain provisions of the Pensions Benefits Act (Ontario) in its management of the plan's funds. One of the trustees, an officer of Loblaw, is entitled to indemnification from the Company.

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.

Earnings Coverage Exhibit to the Unaudited Interim Consolidated Financial Statements

The following is the Company's updated earnings coverage ratio for the 53 week period ended March 28, 2009 in connection with the Company's Short Form Base Shelf Prospectus dated June 5, 2008.

Earnings Coverage on long term debt obligations and capital securities(1)	3.91 times

The earnings coverage ratio on long term debt (including any current portion) and capital securities is equal to net earnings(2) before interest on long term debt, dividends on capital securities, income taxes and minority interest divided by interest on long term debt and dividends on capital securities as shown in the notes to the consolidated financial statements of the Company for the period.

(1) Preferred shares are classified as capital securities and are included in liabilities on the consolidated balance sheet.
(2) Adjusted for the effect of the change in accounting policy described in Note 2 of the Company's unaudited interim consolidated financial statements as at March 28, 2009.

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 139,000 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 Style* brands. In addition, the Company makes available to consumers *President's Choice* Financial services and offers the *PC* points loyalty program.

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

Trademarks

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

Investor Relations

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

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

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