Loblaw
COMPANIES LIMITED

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Loblaw Companies Limited 2009 Second Quarter Report to Shareholders
24 weeks ending June 20, 2009

LOBLAW COMPANIES LIMITED REPORTS SECOND QUARTER 2009 RESULTS

2009 Second Quarter Summary[(1)]

- Basic net earnings per common share of $0.70, up 37.3%
- EBITDA[(2)] margin of 6.3%
- Sales of $7,233 million, growth of 2.8%
- Same store sales growth of 2.5%

For the periods ended June 20, 2009 and June 14, 2008 (unaudited) ($ millions except where otherwise indicated)	**2009 (12 weeks)**	2008 (12 weeks – restated[(3)])	% Change	**2009 (24 weeks)**	2008 (24 weeks – restated[(3)])	% Change
Sales	**$ 7,233**	$ 7,037	2.8%	**$ 13,951**	$ 13,564	2.9%
Gross profit	**1,689**	1,584	6.6%	**3,303**	3,074	7.4%
Operating income	**324**	264	22.7%	**550**	420	31.0%
Net earnings	**193**	140	37.9%	**302**	203	48.8%
Basic net earnings per common share ($)	**0.70**	0.51	37.3%	**1.10**	0.74	48.6%
Same-store sales growth (%)	**2.5%**	0.7%		**2.4%**	1.6%	
Operating margin	**4.5%**	3.8%		**3.9%**	3.1%	
EBITDA[(2)]	**$ 459**	$ 392	17.1%	**$ 817**	$ 678	20.5%
EBITDA margin[(2)]	**6.3%**	5.6%		**5.9%**	5.0%	

- The Company is progressing in its turnaround efforts, balancing improvements in its food offering, product innovation and customer value while at the same time managing store renovations and infrastructure improvements.
- Sales and same-store sales growth in the second quarter of 2009 relative to 2008 were affected positively by approximately 0.8% as a result of the shift of the Easter holiday into the second quarter of 2009.
- 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.
- In the second quarter of 2009:
  - sales growth in both food and drugstore was strong;
  - apparel sales growth was modest while sales of other general merchandise continued to decline;
  - 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 first quarter of 2009. In the second quarter of 2008, the Company experienced modest 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 and of the material factors and assumptions that were used. This report must be read in conjunction with Loblaw Companies Limited's filings with securities regulators made from time to time, all of which can be found at www.sedar.com and at www.loblaw.ca.

(2) See Non-GAAP Financial Measures on page 13 of this report.

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

- Gross profit as a percentage of sales in the second quarter of 2009 was 23.4%, an increase of 90 basis points compared to 22.5% in the second quarter of the prior year. The improvement was partially attributable to the Company's focus on initiatives to improve buying synergies, disciplined vendor management and the efficiency of its transportation logistics. Sales mix, successful promotional campaigns and inflation also contributed to the improvement.

- Operating income in the second quarter of 2009 included income related to the effect of stock-based compensation net of equity forwards of $7 million in 2009 compared with $10 million in 2008. The effect on basic net earnings per common share was $0.03 (2008 - $0.03). The non-cash income on equity forwards resulted from an increase in the Company's share price during the second quarter of 2009.

- The Company incurred an incremental cost of $13 million in the second quarter of 2009 related to its previously announced investment in information technology and supply chain, which negatively affected basic net earnings per common share by $0.04.

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

- Subsequent to the end of the quarter, the Company announced that it has entered into an agreement to acquire all the common shares of T&T Supermarket Inc. ("T&T"), Canada's largest Asian food retailer, subject to consents and regulatory approvals. The purchase price is $225 million with certain adjustments to be made at closing. $191 million of the purchase price will be funded by cash and the remaining through preferred shares issued by T&T, the value of which will be tied to the future performance of T&T. Closing of the transaction is expected prior to the end of the fiscal year. It is expected that the acquisition will be accretive to the Company's earnings in the first year following closing.

"This quarter's improvement in earnings was largely cost and gross margin driven," said Galen G. Weston, Executive Chairman, Loblaw Companies Limited, "This is a trend that we do not expect to continue. We have consistently said that the second half of this year would be by far the toughest, and with market volumes in decline, inflation dropping off, intensified competitive activity and a substantial ramp up in our infrastructure and renovation programs, we expect sales and margins to be significantly challenged."

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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 initiatives; increased costs relating to utilities, including electricity, and fuel; the inability of the Company's information technology infrastructure to support the requirements of the Company's business; the inability of the Company to manage inventory to minimize the impact of obsolete or excess issues and to control shrink; failure to execute successfully and in a timely manner the Company's major initiatives, including the introduction of innovative and reformulated products or new and renovated stores; unanticipated results associated with the Company's strategic initiatives, including the inability of the Company's supply chain to service the needs of the Company's stores; deterioration in the Company's relationship with its employees, particularly through periods of change in the Company's business; failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements which could lead to work stoppages; changes to the regulatory environment in which the Company operates; the adoption of new accounting standards and changes in the Company's use of accounting estimates including in relation to inventory valuation; fluctuations in the Company's earnings due to changes in the value of stock-based compensation and equity forward contracts relating to common shares; changes in the Company's tax liabilities including changes in tax laws or future assessments; detrimental reliance on the performance of third-party service providers; public health events; the inability of the Company to obtain external financing; changes in interest and currency exchange rates; the inability of the Company to collect on its credit card receivables; any requirement of the Company to make contributions to its registered funded defined benefit pension plans in excess of those currently contemplated; the inability of the Company to attract and retain key executives; and quality control issues with vendors. These and other risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Risks and Risk Management section of the Management's Discussion and Analysis included in the Company's 2008 Annual Report – Financial Review. These forward-looking statements reflect management's current assumptions regarding these risks and uncertainties and their respective impact on the Company.

Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this 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 19 to 27 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 July 24, 2009, unless otherwise noted.

Results of Operations

The Company is progressing in its turnaround efforts, balancing improvements in its food offering, product innovation and customer value while at the same time managing store renovations and infrastructure improvements.

Sales Sales for the second quarter increased by 2.8% to $7,233 million compared to $7,037 million in the second quarter of 2008.

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

- same-store sales growth of 2.5%;
- a shift in Easter holiday sales into the second quarter of 2009, which resulted in higher sales and same-store sales growth of approximately 0.8% during the second quarter;
- 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;
- sales growth in apparel was modest while sales growth of other general merchandise continued to decline due to lower discretionary consumer spending 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 7.4 % as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI") and lower than the first quarter of 2009. In the second quarter of 2008, the Company experienced modest 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 second quarter of 2009, 4 new corporate and franchised stores were opened and 5 were closed, resulting in a net decrease of 0.1 million square feet, or 0.1%. During the last four quarters, net retail square footage remained flat, with 32 new corporate and franchised stores opening, including stores that underwent conversions and major expansions, and 39 corporate and franchised stores closing.

(1) See Non-GAAP Financial Measures on page 13.

For the first two quarters of the year, sales increased by 2.9%, or $387 million, to $13,951 million. The following factors further explain the change in year-to-date sales over the same period in the prior year:

- same-store sales growth of 2.4%;
- 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;
- 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 0.2%; and
- sales and same-store sales growth were negatively impacted by 0.3% due to a strike in certain *Maxi* stores in Quebec. These stores reopened in the first quarter of 2009, except for two stores that closed permanently.

Gross Profit Gross profit increased by $105 million to $1,689 million in the second quarter of 2009 compared to $1,584 million in 2008. Gross profit as a percentage of sales was 23.4% in the second quarter of 2009 compared to 22.5% in 2008. Year-to-date gross profit increased by $229 million to $3,303 million compared to $3,074 in 2008. Year-to-date gross profit as a percentage of sales was 23.7% compared to 22.7% in 2008. In the first two quarters of 2009, initiatives to improve buying synergies, disciplined vendor management and the efficiency of transportation logistics contributed to the increase in gross profit and gross profit as a percentage of sales. Sales mix, successful promotional campaigns and inflation also contributed to the improvement.

Operating Income Operating income was $324 million for the second quarter of 2009 compared to $264 million in the same period in 2008, an increase of 22.7%. Operating margin was 4.5% for the second quarter of 2009 compared to 3.8% in 2008. The increase in operating income was primarily due to the increase in gross profit. Partially offsetting the improvement in operating income was lower income of $7 million (2008 − $10 million) related to stock-based compensation net of the equity forwards, a lower gain of $8 million (2008 - $14 million) from the sale of financial investments by *President's Choice* Bank ("*PC* Bank"), a wholly owned subsidiary of the Company, and incremental costs of $13 million related to the Company's previously announced investment in information technology and supply chain. The non-cash income on equity forwards resulted from an increase in the Company's share price during the second quarter of 2009.

Cost reduction initiatives contributed to the improvement in operating income in the first two quarters of 2009 compared to the prior year. Specifically, labour and warehousing costs have decreased as a result of labour productivity improvements and efficiency enhancements at distribution centres.

EBITDA[(1)] increased by $67 million, or 17.1%, to $459 million in the second quarter of 2009 compared to $392 million in the second quarter of 2008. EBITDA margin[(1)] increased in the second quarter of 2009 to 6.3% from 5.6% in the comparable period of 2008. The increases in EBITDA[(1)] and EBITDA margin[(1)] were due to higher sales and the increase in gross profit, partially offset by lower net stock-based compensation income and a lower gain on the sale of financial investments by *PC* Bank.

Year-to-date operating income for 2009 increased by $130 million, or 31.0%, to $550 million, and resulted in an operating margin of 3.9% compared to 3.1% in the comparable period in 2008. Included in 2009 year-to-date operating income is a charge of $12 million (2008 - $15 million) related to stock-based compensation net of the equity forwards. The non-cash charge on equity forwards resulted from a decrease in the Company's share price during the first two quarters of 2009. Partially offsetting the improvement in operating income were costs of $36 million related to the Company's previously announced investment in information technology and supply chain and a lower gain on the sale of financial investments by *PC* Bank of $8 million (2008 - $14 million).

Year-to-date EBITDA[(1)] increased by $139 million, or 20.5% to $817 million compared to $678 million in the comparable period in 2008. EBITDA margin[(1)] improved to 5.9% compared to 5.0% for the same period last year. The year-to-date increases in EBITDA[(1)] and EBITDA margin[(1)] were due to higher sales, the improvement in gross profit, and lower stock-based compensation costs, partially offset by the previously announced incremental investment in information technology and supply chain and a lower gain on the sale of financial investments by *PC* Bank.

(1) See Non-GAAP Financial Measures on page 13.

Interest Expense and Other Financing Charges Interest expense and other financing charges for the second quarter of 2009 were $60 million, consistent with the same period in 2008. The following items impacted interest expense and other financing charges:

- interest on long term debt of $64 million (2008 – $65 million);
- interest income on financial derivative instruments, which includes the effect of the Company's interest rate swaps, cross currency swaps and equity forwards, of nil (2008 – $2 million);
- net short term interest income of $3 million (2008 – charge of $3 million);
- interest income on security deposits of nil (2008 - $2 million);
- dividends on capital securities of $4 million (2008 − nil); and
- interest expense of $5 million (2008 – $4 million) was capitalized to fixed assets.

Interest expense and other financing charges year-to-date were $121 million compared to $118 million in 2008.

Income Taxes The effective income tax rate in the second quarter of 2009 was 25.8% (2008 – 30.4%) and 30.1% (2008 – 32.5%) year-to-date. The changes in the effective income tax rates were primarily due to a reduction in the current year income tax expense relating to certain prior year income tax matters and changes in the proportions of taxable income earned across different tax jurisdictions, which were partially offset by the net impact of non-deductible and non-taxable amounts.

Net Earnings Net earnings for the second quarter increased by $53 million, or 37.9%, to $193 million from $140 million in the second quarter of 2008 and year-to-date increased by $99 million, or 48.8%, to $302 million from $203 million in 2008. Basic net earnings per common share for the second quarter increased by $0.19, or 37.3%, to $0.70 from $0.51 in the second quarter of 2008 and year-to-date increased by $0.36, or 48.6%, to $1.10 compared to $0.74 for the same period last year.

Basic net earnings per common share was affected in the second quarter of 2009 by income of $0.03 (2008 – $0.03) and a year-to-date charge of $0.04 (2008 – $0.07) per common share for the net effect of stock-based compensation net of equity forwards.

Financial Condition

Financial Ratios The Company's net debt(1) to equity ratio continued to be within the Company's internal guideline of less than 1:1. The net debt(1) to equity ratio was 0.48:1 at the end of the second quarter of 2009 compared to 0.72:1 at the end of the second 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 decrease in the net debt(1) to equity ratio at the end of the second quarter of 2009 compared to year end 2008 was due to improvements in working capital and an increase in shareholders' equity. The interest coverage ratio was 4.2 times for the second quarter of 2009 compared to 3.3 times in 2008.

The rolling year return on net assets(1) at the end of the second quarter of 2009 increased to 11.8%, compared to 8.0% at the end of the comparable period in 2008 and 10.7% at year end 2008. The rolling year return on shareholders' equity at the end of the second quarter of 2009 increased to 11.3%, compared to 6.6% at the end of the second quarter of 2008, and to 9.7% at year end 2008. The ratios in the second quarter of 2009 were positively impacted by the increase in cumulative operating income for the last four quarters.

Dividends On May 4, 2009, the Company's Board of Directors declared a dividend of $0.21 per common share with a payment date of July 1, 2009 and $0.37 per second preferred share Series A with a payment date of July 31, 2009.

On May 6, 2009, the Company commenced a Dividend Reinvestment Plan ("DRIP"). Under the terms of the DRIP, eligible holders of common shares may elect to automatically reinvest their regular quarterly dividends in additional common shares of the Company without incurring any commissions, service charges or brokerage fees. The common shares issued to shareholders under the DRIP will be, at the Company's option, either issued from treasury or purchased on the open market. The Board of Directors may from time to time approve a discount on the issuance of common shares from treasury under the DRIP. On July 1, 2009, the Company issued 1,163,201 common shares from treasury under the DRIP at a three percent (3%) discount to market, resulting in net cash savings of approximately $39 million.

(1) See Non-GAAP Financial Measures on page 13.

Subsequent to the end of the quarter, the Board declared a quarterly dividend of $0.21 per common share payable on October 1, 2009 and a quarterly dividend of $0.37 per second preferred share payable October 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. After taking into account the issuance of the shares under the DRIP, 275,336,765 common shares are currently outstanding. In addition, 12 million second preferred shares Series A are authorized and 9 million of these shares were outstanding at the end of the second 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 from (used in) Operating Activities Second quarter cash flows from operating activities were $831 million in 2009 compared to $279 million in the comparable period in 2008. On a year-to-date basis, cash flows from operating activities were $475 million compared to cash flows used in operating activities of $48 million in 2008. The increases in cash flows from operating activities were primarily due to the increase in operating income and the change in non-cash working capital as a result of changes in inventory and accounts payable and accrued liabilities. Also impacting 2009 cash flows from operating activities was a $38 million payment to a counterparty to extinguish a portion of the liability associated with the equity forwards.

Cash Flows used in Investing Activities Second quarter cash flows used in investing activities were $102 million compared to $366 million in 2008. On a year-to-date basis, cash flows used in investing activities were $132 million compared to $260 million in the same period in 2008. The second quarter changes were primarily due to the change in short term investments and the decrease in security deposits, partially offset by the increase in fixed asset purchases. The year-to-date changes were primarily due to the increase in cash flows from credit card receivables after securitization and the decrease in security deposits, partially offset by the increase in fixed asset purchases and the change in short term investments. Capital investment for the second quarter amounted to $199 million (2008 – $87 million) and $322 million (2008 – $200 million) year-to-date. The Company's estimate of the capital investment for 2009 is approximately $1 billion.

Cash Flows used in (from) Financing Activities Second quarter cash flows used in financing activities were $360 million in 2009 compared to $139 million in the same period in 2008. The change was primarily due to the repayment of the Company's short term debt. Long term debt increased as a result of the issuance of $350 million of 4.85% medium term notes, the proceeds of which were used to repay a portion of the Company's short term debt. On a year-to-date basis, cash flows used in financing activities were $78 million compared to cash flows from financing activities of $207 million in 2008. The year-to-date change was primarily due to the repayment of the Company's short term debt and bank indebtedness, and the maturity of a $125 million medium term note. Long term debt increased as a result of the issuance of the $350 million 4.85% medium term notes in the second quarter of 2009, the proceeds of which were used to repay a portion of the Company's short term debt. The decreases in cash flows were partially offset by lower dividend payments in the first quarter of 2009 due to the timing of common share dividends.

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

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

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

Net debt[1] was $2,990 million at the end of the second quarter of 2009 compared to $3,973 million at the end of the second quarter of 2008. The decrease of $983 million was primarily due to the issuance of capital securities of $218 million, the securitization of *PC* Bank receivables of $300 million and improvement in working capital. During the first two quarters of 2009, net debt[1] decreased by $303 million due to an improvement in working capital. In the first two quarters of 2008, net debt[1] increased by $404 million due to a decrease in working capital during this period.

Sources of Liquidity

The Company expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against the existing credit facility will enable the Company to finance its capital investment program and fund its ongoing business requirements, including working capital and pension plan funding, over the next twelve months. 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 renewal during the third quarter of 2009. 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 renewal or other 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, actively monitoring market conditions and diversifying its sources of funding and maturity profile.

(1) See Non-GAAP Financial Measures on page 13.

Loblaw renewed its Normal Course Issuer Bid during the second quarter of 2009 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 during the first two quarters 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 second quarter of 2009 was $387 million (2008 – $383 million) including $149 million (2008 – $159 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 – 15%) of the principal amount of the loans outstanding at any point in time. At the end of the second quarter of 2009, $66 million (2008 – $66 million) was outstanding as a standby letter of credit. This standby letter of credit has never been drawn upon.

During the second quarter of 2009, the $475 million, 364-day revolving committed credit facility that is the source of funding to the independent trusts was renewed. The new financing structure has been reviewed and the Company determined there were no additional VIEs to consolidate as a result of this financing.

Equity Forward Contracts

At the end of the second quarter, the Company had cumulative equity forwards to buy 3.2 million (2008 – 4.8 million) of its common shares at a cumulative average forward price of $53.82 (2008 – $54.03) including $9.20 (2008 – $9.16) per common share of interest expense, net of dividends. At the end of the second quarter of 2009 the cumulative interest and unrealized market loss of $62 million (2008 – $107 million) was included in accounts payable and accrued liabilities. During the second quarter of 2009, the Company paid $38 million to a counterparty to terminate a portion of the equity forwards representing 1.6 million shares, which led to the extinguishment of a corresponding portion of the associated liability.

Employee Future Benefit Contributions

During the first and second quarters of 2009, the Company contributed $43 million (2008 – $32 million) to its registered funded defined benefit pension plans. The Company expects to contribute $100 million to these plans during 2009. The actual amount paid may vary from the estimate based on actuarial valuations being completed, market performance and regulatory requirements. The Company regularly monitors and assesses plan experience and the impact of changes in participant demographics, changes in capital markets and other economic factors that may impact funding requirements, employee future benefit costs and actuarial assumptions.

Quarterly Results of Operations

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)	Second quarter **2009** **(12 weeks)**	Second quarter 2008 (12 weeks – restated[1])	First Quarter 2009 (12 weeks)	First Quarter 2008 (12 weeks – restated[1])	Fourth Quarter 2008 (13 weeks – restated[1])	Fourth Quarter 2007 (12 weeks – restated[1])	Third Quarter 2008 (16 weeks – restated[1])	Third Quarter 2007 (16 weeks – restated[1])
Sales	**$ 7,233**	$ 7,037	$ 6,718	$ 6,527	$ 7,745	$ 6,967	$ 9,493	$ 9,137
Net earnings	**$ 193**	$ 140	$ 109	$ 63	$ 190	$ 43	$ 157	$ 117
Net earnings per common share Basic and diluted ($)	**$ 0.70**	$ 0.51	$ 0.40	$ 0.23	$ 0.69	$ 0.16	$ 0.57	$ 0.43

Sales grew in the second quarter of 2009 compared to the second quarter of 2008. Same-store sales growth in the second quarter of 2009 was 2.5%. Sales and same-store sales growth in the second quarter of 2009 were impacted positively 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.

Sales growth in the first and second quarters of 2009 was negatively affected by 0.5% in each quarter 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 the previous three quarters was 3.0% in the third quarter of 2008, 10.6% in the fourth quarter of 2008 and 2.1% in the first quarter of 2009. 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 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 by 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 second 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 March 29, 2009 and ended on June 20, 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.

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 Economic conditions in Canada and the United States continue to be unfavourable, which may impact the Company's operations negatively in the future as increased unemployment levels, changes in interest rates, reduced disposable income and 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 in turn 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.

Acquisition of T&T Supermarket Inc.

Subsequent to the end of the quarter, the Company announced that it has entered into an agreement to acquire all the common shares of T&T Supermarket Inc. ("T&T"), Canada's largest Asian food retailer, subject to consents and regulatory approvals. The purchase price is $225 million with certain adjustments to be made at closing. $191 million of the purchase price will be funded by cash and the remaining through preferred shares issued by T&T, the value of which will be tied to the future performance of T&T. Closing of the transaction is expected prior to the end of the fiscal year. It is expected that the acquisition will be accretive to the Company's earnings in the first year following closing.

Accounting Standards Implemented in 2009

Goodwill and Intangible Assets In November 2007, the Canadian Institute of Chartered Accountants ("CICA") issued amendments to Section 1000 "Financial Statement Concepts", and Accounting Guideline 11, "Enterprises in the Development Stage" ("AcG 11"), 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 in conjunction with Section 3064 provide guidance for the recognition of intangible assets, including internally developed assets from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The Company has implemented these requirements effective for the first quarter of 2009, retroactively with restatement of the comparative periods for the prior year. Restatement of the quarter comparative period resulted in an increase in selling and administrative expenses of $6 million ($11 million year-to-date), a decrease in depreciation and amortization of $7 million ($13 million year-to-date) and an increase to future tax expense of $1 million ($1 million year-to-date). Restatement of the comparative period also resulted in a decrease to other assets of $47 million, a decrease to retained earnings of $31 million and a decrease to the future income taxes liability of $16 million. 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 its financial assets and financial liabilities, including derivative instruments, as at January 4, 2009 to take into account its own credit risk and counterparty credit risk. As a result, 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 consists 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 involves 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. Further analysis continues to finalize these impacts.

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 supporting information systems and business activities, including the budget and planning process, financial covenants, key performance indicators, compensation arrangements that rely on financial statement indicators and contractual agreements, 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. For all accounting policy changes identified, an assessment of the design and effectiveness implications on Internal Controls over Financial Reporting and Disclosure Controls and Procedures will be completed. 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's second quarter earnings improvement was largely driven by cost and gross margin, but that trend is not expected to continue. The Company expects sales and margins to be significantly challenged for the remainder of 2009, considering declining market volumes, decreasing inflation, intensified competitive activity and a substantial ramp up in infrastructure and renovation programs.

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

Additional Information

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

Non-GAAP Financial Measures

The Company 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 and twenty-four week periods ended June 20, 2009 and June 14, 2008. EBITDA is useful to management in assessing the performance of the Company's ongoing operations and its ability to generate cash flows to fund cash requirements, including the Company's capital investment program.

EBITDA margin is calculated as EBITDA divided by sales.

($ millions)	**2009 (12 weeks)**	2008 (12 weeks – restated[1])	**2009 (24 weeks)**	2008 (24 weeks – restated[1])
Net earnings	**$ 193**	$ 140	**$ 302**	$ 203
Add (deduct) impact of the following:				
Minority interest	**3**	2	**(2)**	1
Income taxes	**68**	62	**129**	98
Interest expense and other financing charges	**60**	60	**121**	118
Operating income	**324**	264	**550**	420
Add impact of the following:				
Depreciation and amortization	**135**	128	**267**	258
EBITDA	**$ 459**	$ 392	**$ 817**	$ 678

(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 that the measure should include all interest bearing financing arrangements.

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

($ millions)	**As at June 20, 2009**	As at June 14, 2008	As at January 3, 2009	As at December 29, 2007
Bank indebtedness	**$ 1**	$ 55	$ 52	$ 3
Short term debt	**–**	798	190	418
Long term debt due within one year	**340**	165	165	432
Long term debt	**4,091**	4,033	4,070	3,852
Fair value of financial derivative liabilities (assets)	**(56)**	(85)	6	(159)
	4,376	4,966	4,483	4,546
Less: Cash and cash equivalents	**770**	345	528	430
Short term investments	**308**	296	225	225
Security deposits	**308**	352	437	322
Net debt	**$ 2,990**	$ 3,973	$ 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 is 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 that 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 last four quarters divided by average net assets.

($ millions)	**As at June 20, 2009**	As at June 14, 2008 (restated[1])	As at January 3, 2009 (restated[1])
Canadian GAAP total assets	**$ 13,974**	$ 13,594	$ 13,943
Less: Cash and cash equivalents	**770**	345	528
Short term investments	**308**	296	225
Security deposits	**308**	352	437
Accounts payable and accrued liabilities	**2,717**	2,467	2,823
Net assets	**$ 9,871**	$ 10,134	$ 9,930

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

Consolidated Statements of Earnings

(unaudited)

For the periods ended June 20, 2009 and June 14, 2008 ($ millions except where otherwise indicated)	**2009** **(12 weeks)**	2008 (12 weeks – restated[1])	**2009** **(24 weeks)**	2008 (24 weeks – restated[1])
Sales	**$ 7,233**	$ 7,037	**$ 13,951**	$ 13,564
Cost of Merchandise Inventories Sold (note 9)	**5,544**	5,453	**10,648**	10,490
Gross Profit	**1,689**	1,584	**3,303**	3,074
Operating Expenses				
Selling and administrative expenses	**1,230**	1,192	**2,486**	2,396
Depreciation and amortization	**135**	128	**267**	258
	1,365	1,320	**2,753**	2,654
Operating Income	**324**	264	**550**	420
Interest expense and other financing charges (note 3)	**60**	60	**121**	118
Earnings before Income Taxes and Minority Interest	**264**	204	**429**	302
Income taxes (note 4)	**68**	62	**129**	98
Net Earnings before Minority Interest	**196**	142	**300**	204
Minority interest	**3**	2	**(2)**	1
Net Earnings	**$ 193**	$ 140	**$ 302**	$ 203
Net Earnings Per Common Share ($) (note 5)				
Basic and diluted	**$ 0.70**	$ 0.51	**$ 1.10**	$ 0.74

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 Shareholders' Equity
(unaudited)

For the periods ended June 20, 2009 and June 14, 2008 ($ millions except where otherwise indicated)	**2009** **(24 weeks)**	2008 (24 weeks – restated[1])
Common Share Capital, Beginning and End of Period	**$ 1,196**	$ 1,196
Retained Earnings, Beginning of Period (restated[1])	**$ 4,577**	$ 4,289
Cumulative impact of implementing new accounting standards (note 2)	**(6)**	(32)
Net earnings	**302**	203
Dividends declared per common share – 42¢ (2008 – 42¢)	**(115)**	(115)
Retained Earnings, End of Period	**$ 4,758**	$ 4,345
Accumulated Other Comprehensive Income, Beginning of Period	**$ 30**	$ 19
Cumulative impact of implementing new accounting standards (note 2)	**(2)**	–
Other comprehensive loss	**(13)**	(12)
Accumulated Other Comprehensive Income, End of Period (note 14)	**$ 15**	$ 7
Total Shareholders' Equity	**$ 5,969**	$ 5,548

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

Consolidated Statements of Comprehensive Income
(unaudited)

For the periods ended June 20, 2009 and June 14, 2008 ($ millions)	**2009** **(12 weeks)**	2008 (12 weeks – restated[1])	**2009** **(24 weeks)**	2008 (24 weeks – restated[1])
Net earnings	**$ 193**	$ 140	**$ 302**	$ 203
Other comprehensive income, net of income taxes				
Net unrealized (loss) gain on available-for-sale financial assets	**(18)**	13	**(11)**	22
Reclassification of net gain on available-for-sale financial assets to net earnings	**(10)**	(13)	**(24)**	(1)
	(28)	–	**(35)**	21
Net gain (loss) on derivatives designated as cash flow hedges	**9**	(6)	**6**	(15)
Reclassification of net loss (gain) on derivatives designated as cash flow hedges to net earnings	**11**	(5)	**16**	(18)
	20	(11)	**22**	(33)
Other comprehensive loss	**(8)**	(11)	**(13)**	(12)
Total Comprehensive Income	**$ 185**	$ 129	**$ 289**	$ 191

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 June 20, 2009 (unaudited)	As at June 14, 2008 (restated[1]) (unaudited)	As at January 3, 2009 (restated[1]) (audited)
Assets			
Current Assets			
Cash and cash equivalents (note 6)	**$ 770**	$ 345	$ 528
Short term investments	**308**	296	225
Accounts receivable (notes 7 and 8)	**644**	891	867
Inventories (notes 2 and 9)	**2,115**	2,019	2,188
Income taxes	**49**	135	40
Future income taxes	**34**	50	41
Prepaid expenses and other assets	**91**	58	71
Total Current Assets	**4,011**	3,794	3,960
Fixed Assets	**8,103**	7,898	8,045
Goodwill	**807**	807	807
Other Assets	**1,053**	1,095	1,131
Total Assets	**$ 13,974**	$ 13,594	$ 13,943
Liabilities			
Current Liabilities			
Bank indebtedness	**$ 1**	$ 55	$ 52
Short term debt (note 11)	**–**	798	190
Accounts payable and accrued liabilities	**2,717**	2,467	2,823
Long term debt due within one year	**340**	165	165
Total Current Liabilities	**3,058**	3,485	3,230
Long Term Debt (note 12)	**4,091**	4,033	4,070
Future Income Taxes	**155**	148	156
Other Liabilities	**464**	364	445
Capital Securities	**219**	–	219
Minority Interest	**18**	16	20
Total Liabilities	**8,005**	8,046	8,140
Shareholders' Equity			
Common Share Capital	**1,196**	1,196	1,196
Retained Earnings	**4,758**	4,345	4,577
Accumulated Other Comprehensive Income (note 14)	**15**	7	30
Total Shareholders' Equity	**5,969**	5,548	5,803
Total Liabilities and Shareholders' Equity	**$ 13,974**	$ 13,594	$ 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 June 20, 2009 and June 14, 2008 ($ millions)	**2009** **(12 weeks)**	2008 (12 weeks – restated[1])	**2009** **(24 weeks)**	2008 (24 weeks – restated[1])
Operating Activities				
Net earnings before minority interest	**$ 196**	$ 142	**$ 300**	$ 204
Depreciation and amortization	**135**	128	**267**	258
Future income taxes	**(3)**	1	**3**	(8)
Settlement of equity forward contracts (note 15)	**(38)**	–	**(38)**	–
Change in non-cash working capital	**526**	(23)	**(58)**	(555)
Other	**15**	31	**1**	53
Cash Flows from (used in) Operating Activities	**831**	279	**475**	(48)
Investing Activities				
Fixed asset purchases	**(199)**	(87)	**(322)**	(200)
Short term investments	**(15)**	(250)	**(104)**	(61)
Proceeds from fixed asset sales	**1**	3	**6**	13
Credit card receivables, after securitization (note 7)	**(21)**	(42)	**208**	32
Franchise investments and other receivables	**8**	(1)	**(9)**	(19)
Security deposits and other	**124**	11	**89**	(25)
Cash Flows used in Investing Activities	**(102)**	(366)	**(132)**	(260)
Financing Activities				
Bank indebtedness	**(76)**	(42)	**(51)**	52
Short term debt (note 11)	**(574)**	62	**(190)**	380
Long term debt				
Issued (note 12)	**352**	296	**360**	301
Retired (note 12)	**(4)**	(398)	**(139)**	(411)
Dividends	**(58)**	(57)	**(58)**	(115)
Cash Flows (used in) from Financing Activities	**(360)**	(139)	**(78)**	207
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(37)**	(3)	**(23)**	16
Change in Cash and Cash Equivalents	**332**	(229)	**242**	(85)
Cash and Cash Equivalents, Beginning of Period	**438**	574	**528**	430
Cash and Cash Equivalents, End of Period	**$ 770**	$ 345	**$ 770**	$ 345

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, 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 in conjunction with Section 3064 provide guidance for the recognition of intangible assets, including internally developed assets from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The Company has implemented these requirements effective for the first quarter of 2009, retroactively with restatement of the comparative periods for the prior year. Restatement of the quarter comparative period resulted in an increase in selling and administrative expenses of $6 ($11 year-to-date), a decrease in depreciation and amortization of $7 ($13 year-to-date) and an increase to future tax expense of $1 ($1 year-to-date). Restatement of the comparative period also resulted in a decrease to other assets of $47, a decrease to retained earnings of $31 and a decrease to the future income taxes liability of $16. 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 January 4, 2009 to take into account its own credit risk and counterparty credit risk. As a result, a decrease in other assets of $12, a decrease in other liabilities of $4, a decrease net of income taxes in accumulated other comprehensive income of $2 and a decrease in retained earnings of $6 were recorded in the consolidated balance sheet.

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)	**2009 (24 weeks)**	2008 (24 weeks)
Interest on long term debt	**$ 64**	$ 65	**$ 127**	$ 131
Interest expense (income) on financial derivative instruments	**–**	(2)	**1**	(3)
Net short term interest (income) expense	**(3)**	3	**(3)**	4
Interest income on security deposits	**–**	(2)	**(1)**	(5)
Dividends on capital securities	**4**	–	**7**	–
Capitalized to fixed assets	**(5)**	(4)	**(10)**	(9)
Interest expense	**$ 60**	$ 60	**$ 121**	$ 118

In the second quarter of 2009, net interest expense of $60 (2008 – $65) and $119 (2008 – $126) year-to-date 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 second quarter of 2009 was $106 (2008 – $102), and interest received was $23 (2008 – $23). Interest and dividends on capital securities paid year-to-date was $190 (2008 – $205) and interest received year-to-date was $44 (2008 – $68).

Note 4. Income Taxes

The effective income tax rate in the second quarter of 2009 was 25.8% (2008 – 30.4%) and 30.1% (2008 – 32.5%) year-to-date. The changes in the effective income tax rates were primarily due to a reduction in the current year income tax expense relating to certain prior year income tax matters and changes in the proportions of taxable income earned across different tax jurisdictions, which were partially offset by the net impact of non-deductible and non-taxable amounts.

Net income taxes paid in the second quarter were $24 (2008 – $21), and $124 (2008 – $105) year-to-date.

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

	2009 (12 weeks)	2008 (12 weeks – restated[(1)])	**2009 (24 weeks)**	2008 (24 weeks – restated[(1)])
Net earnings for basic earnings per share ($ millions)	**$ 193**	$ 140	**$ 302**	$ 203
Dividends on capital securities ($ millions)	**4**	–	**7**	–
Net earnings for diluted earnings per share ($ millions)	**197**	140	**309**	203
Weighted average common shares outstanding (in millions)	**274.2**	274.2	**274.2**	274.2
Dilutive effect of capital securities (in millions)	**6.9**	–	**6.9**	–
Dilutive effect of dividend reinvestment plan (in millions) (note 13)	**0.7**	–	**0.3**	–
Dilutive effect of stock-based compensation (in millions)	**0.2**	–	**0.2**	–
Diluted weighted average common shares outstanding (in millions)	**282.0**	274.2	**281.6**	274.2
Basic and diluted net earnings per common share ($)	**$ 0.70**	$ 0.51	**$ 1.10**	$ 0.74

(1) See note 2.

Stock options outstanding with an exercise price greater than the market price of the Company's common shares at the end of the second quarter were not recognized in the computation of diluted net earnings per common share. Accordingly, for the second quarter of 2009, 4,259,475 (2008 – 5,066,041) stock options, with a weighted average exercise price of $52.86 (2008 – $52.71) 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 June 20, 2009, June 14, 2008 and January 3, 2009 were as follows:

	As at June 20, 2009	As at June 14, 2008	As at January 3, 2009
Cash	**$ 136**	$ 55	$ 42
Cash equivalents − short term investments with a maturity of 90 days or less:			
Bank term deposits	**185**	8	–
Government treasury bills	**256**	84	219
Government-sponsored debt securities	**89**	93	58
Corporate commercial paper	**104**	105	209
Cash and cash equivalents	**$ 770**	$ 345	$ 528

As at June 20, 2009, USD $943 (June 14, 2008 – USD $910 and January 3, 2009 – USD $961) was included in cash and cash equivalents, short term investments and security deposits which were included in other assets. In the second quarter of 2009, the Company recognized an unrealized foreign currency exchange loss of $92 (2008 − gain of $9) and $63 (2008 – gain of $42) year-to-date as a result of translating United States dollar denominated cash and cash equivalents, short term investments and security deposits, of which a loss of $37 (2008 − $3) in the quarter and $23 (2008 – gain of $16) year-to-date related to cash and cash equivalents. The resulting loss on cash and cash equivalents, short term investments and security deposits was partially offset in operating income and other comprehensive income by the unrealized foreign currency exchange gain 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 renewal during the third quarter of 2009. 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 June 20, 2009**	As at June 14, 2008	As at January 3, 2009
Credit card receivables	**$ 1,991**	$ 1,980	$ 2,206
Amount securitized	**(1,775)**	(1,475)	(1,775)
Net credit card receivables	**216**	505	431
Other receivables	**428**	386	436
Accounts receivable	**$ 644**	$ 891	$ 867

Credit card receivables that were past due of $5 (2008 – $10) as at June 20, 2009 were not classified as impaired as they were less than 90 days past due and most receivables were 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 diversity of the Company's customer base. Credit risk on the credit card receivables was managed as described in note 26 to the Company's 2008 Annual Report. Other receivables that are past due but not impaired totalled $46 (2008 – $56) as at June 20, 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 on 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

	12 weeks ended		**24 weeks ended**		**53 weeks ended**
($ millions)	**June 20, 2009**	June 14, 2008	**June 20, 2009**	June 14, 2008	January 3, 2009
Allowance at beginning of period	**$ (15)**	$ (13)	**$ (15)**	$ (13)	$ (13)
Provision for losses	**(5)**	(10)	**(8)**	(12)	(35)
Recoveries	**(2)**	(2)	**(3)**	(4)	(14)
Write-offs	**7**	12	**11**	16	47
Allowance at end of period	**$ (15)**	$ (13)	**$ (15)**	$ (13)	$ (15)

Other Receivables

	12 weeks ended		**24 weeks ended**		**53 weeks ended**
($ millions)	**June 20, 2009**	June 14, 2008	**June 20, 2009**	June 14, 2008	January 3, 2009
Allowance at beginning of period	**$ (37)**	$ (31)	**$ (24)**	$ (35)	$ (35)
Provision for losses	**(5)**	(19)	**(34)**	(27)	(81)
Write-offs	**15**	15	**31**	27	92
Allowance at end of period	**$ (27)**	$ (35)	**$ (27)**	$ (35)	$ (24)

Note 9. Inventories

For inventories recorded as at June 20, 2009, the Company recorded $32 (June 14, 2008 – $22) as an expense for the write-down of inventories below cost to net realizable value.

Note 10. Employee Future Benefits

The Company's total net benefit plan cost recognized in operating income was $41 (2008 – $38) for the second quarter and $85 (2008 – $77) year-to-date. The total net benefit plan cost included costs for the Company's defined benefit pension and other benefit plans, defined contribution pension plans and multi-employer pension plans.

Note 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 June 20, 2009, nil (June 14, 2008 – $798, January 3, 2009 – $190) was drawn on the committed credit facility.

Note 12. Long Term Debt

During the second quarter, the Company issued $350 principal amount of unsecured Medium Term Notes, Series 2-A pursuant to its Medium Term Notes, Series 2 program. The Series 2-A notes will pay a fixed rate of interest of 4.85% payable semi-annually commencing on November 8, 2009 until maturity on May 8, 2014 and is subject to certain covenants. The notes are unsecured obligations of Loblaw and rank equally with all the unsecured indebtedness that has not been subordinated. The Series 2-A notes may be redeemed at the option of the Company, in whole at any time or in part from time to time, upon not less than 30 days and not more than 60 days notice to the holders of the notes.

As at June 20, 2009, $341 (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.

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

Note 13. Share Capital ($)

During the second quarter of 2009, the Board of Directors declared dividends of $0.21 (2008 – $0.21) and $0.42 (2008 – $0.42) year-to-date per common share. In addition, dividends of $0.37 (2008 – nil) and $0.74 (2008 – nil) year-to-date per second preferred share were declared. For financial statement presentation purposes, second preferred share dividends of $4 million (2008 – nil) and $7 million (2008 – nil) are included for the twelve and twenty-four weeks ended June 20, 2009, respectively, on the Consolidated Statement of Earnings (see note 3).

Dividend Reinvestment Plan

During the second quarter of 2009, the Company commenced a Dividend Reinvestment Plan ("DRIP"). Under the terms of the DRIP, eligible holders of common shares may elect to automatically reinvest their regular quarterly dividends in additional common shares of the Company without incurring any commissions, service charges or brokerage fees. The common shares issued to shareholders under the DRIP will be, at the Company's option, either issued from treasury or purchased on the open market. The Board of Directors may from time to time approve a discount on the issuance of common shares from treasury under the DRIP. On July 1, 2009, the Company issued 1,163,201 common shares from treasury under the DRIP at a three percent (3%) discount to market, resulting in a net cash savings of approximately $39.

Normal Course Issuer Bid

During the second 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 the 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 second 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 24 week periods ended June 20, 2009 and June 14, 2008:

	24 weeks ended					
	June 20, 2009			June 14, 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 (loss) gain on available-for-sale financial assets [net of income taxes of nil (2008 – $3)]	**–**	**(11)**	**(11)**	–	22	22
Reclassification of gain on available-for-sale financial assets [net of income taxes of $2 (2008 – $5)]	**–**	**(24)**	**(24)**	–	(1)	(1)
Net gain (loss) on derivatives designated as cash flow hedges [net of income taxes recovered of $4 (2008 – $2)]	**6**	**–**	**6**	(15)	–	(15)
Reclassification of loss (gain) on derivatives designated as cash flow hedges [net of income taxes recovered of $2 (2008 – nil)]	**16**	**–**	**16**	(18)	–	(18)
Balance, end of period	**$ 34**	**$ (19)**	**$ 15**	$ (11)	$ 18	$ 7

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 $9 (2008 – $5) 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 of up to 2 years. A gain of $18 (2008 – loss of $11) on cross currency swaps will be reclassified to net earnings over the next 12 months but will be partially offset by the loss on available-for-sale assets. Remaining amounts on the cross currency swaps will be reclassified to net earnings over periods up to 4 years.

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

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

($ millions)	**2009 (12 weeks)**	2008 (12 weeks)	**2009 (24 weeks)**	2008 (24 weeks)
Stock option plan expense	**$ 4**	$ 2	**$ 3**	$ 2
Equity forwards (gain) loss	**(14)**	(15)	**5**	10
Restricted share unit plan expense	**3**	3	**4**	3
Net stock-based compensation (income) expense	**$ (7)**	$ (10)	**$ 12**	$ 15

Stock Option Plan During the first half of 2009, the Company paid the share appreciation value of a nominal amount (2008 − nil) on the exercise of 81,408 (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 24,769 (2008 − 8,800) stock options with an exercise price of $36.17 (2008 − $33.10) per common share during the second quarter of 2009 and 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, 916,186 (2008 − 1,591,944) stock options were forfeited or cancelled during the first two quarters of 2009.

At the end of the second quarter of 2009, a total of 9,560,681 (2008 − 8,253,169) stock options were outstanding and represented approximately 3.5% (2008 − 3.0%) 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 second quarter was $34.50 (2008 − $31.64).

Restricted Share Unit ("RSU") Plan Under its existing RSU plan, the Company granted 3,994 RSUs (2008 − 45,321) in the second quarter of 2009 and 425,093 (2008 – 352,268) RSUs in the first quarter of 2009. During the second quarter of 2009, 55,511 (2008 – 34,943) and 73,533 (2008 – 55,106) RSUs year-to-date were cancelled. In addition, during the second quarter of 2009 5,021 (2008 – 32,876) and 187,335 (2008 – 233,655) year-to-date RSUs were settled in cash for a nominal amount (2008 – $1 million) and $6 million (2008 – $8 million), respectively. At the end of the second quarter 997,618 (2008 – 877,515) RSUs remained outstanding.

Equity Forwards At the end of the second quarter, the Company had cumulative equity forwards to buy 3.2 million (2008 – 4.8 million) of its common shares at a cumulative average forward price of $53.82 (2008 – $54.03) including $9.20 (2008 – $9.16) per common share of interest expense, net of dividends. During the second quarter of 2009, the Company and the counterparty agreed to terminate a portion of the equity forwards representing 1.6 million shares for $38 million.

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 June 20, 2009 was $387 (2008 − $383) including $149 (2008 − $159) of loans payable by VIEs consolidated by the Company. Based on a formula, the Company has agreed to provide credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trust equal to approximately 15% (2008 − 15%) of the principal amount of the loans outstanding at any point in time, $66 (2008 − $66) as of June 20, 2009. The standby letter of credit has not been drawn upon.

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

Legal Proceedings In 2008, the trustees of a multi-employer pension plan in which the Company's employees and those of its independent franchises participate became 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 their management of the plan's funds. One of the trustees, an officer of Loblaw, is entitled to indemnification from the Company. The trustees each pled not guilty to the charges. A decision by the court is expected by the end of the year.

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.

Note 17. Subsequent Event

Subsequent to the end of the quarter, the Company announced that it has entered into an agreement to acquire all the common shares of T&T Supermarket Inc. ("T&T"), Canada's largest Asian food retailer, subject to consents and regulatory approvals. The purchase price is $225 with certain adjustments to be made at closing. $191 of the purchase price will be funded by cash and the remaining through preferred shares issued by T&T, the value of which will be tied to the future performance of T&T. Closing of the transaction is expected prior to the end of the fiscal year.

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 June 20, 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)]	4.00 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 June 20, 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.

Shareholder Information

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

Investor Relations

Shareholders, security analysts and investment professionals should direct their requests to Inge van den Berg, Senior Vice President, Corporate Affairs 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.

Dividend Reinvestment Program

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

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

Shareholders wishing to participate in the DRIP must obtain and sign an enrolment form and return it to the Company's Transfer Agent at the following address prior to the cut-off for the 2009 third quarter, which is the close of business on September 10, 2009:

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

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

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

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Loblaw
COMPANIES LIMITED

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