Loblaw
COMPANIES LIMITED

Worth switching supermarkets for.™

Loblaw Companies Limited 2009 Third Quarter Report to Shareholders
40 weeks ending October 10, 2009

LOBLAW COMPANIES LIMITED REPORTS THIRD QUARTER 2009 RESULTS

2009 Third Quarter Summary[1]

- Basic net earnings per common share of $0.69, up 21.1%
- EBITDA[2] margin of 5.9%
- Sales of $9,473 million, decline of 0.2%
- Same-store sales decline of 0.6%

For the periods ended October 10, 2009 and October 4, 2008 (unaudited) ($ millions except where otherwise indicated)	**2009 (16 weeks)**	2008 (16 weeks – restated[3])	% Change	**2009 (40 weeks)**	2008 (40 weeks – restated[3])	% Change
Sales	**$ 9,473**	$ 9,493	(0.2%)	**$ 23,424**	$ 23,057	1.6%
Gross profit	**2,165**	2,097	3.2%	**5,468**	5,171	5.7%
Operating income	**378**	312	21.2%	**928**	732	26.8%
Net earnings	**189**	157	20.4%	**491**	360	36.4%
Basic net earnings per common share ($)	**0.69**	0.57	21.1%	**1.79**	1.31	36.6%
Same-store sales growth (%)	**(0.6%)**	3.0%		**1.1%**	2.2%	
Operating margin	**4.0%**	3.3%		**4.0%**	3.2%	
EBITDA[2]	**$ 557**	$ 490	13.7%	**$ 1,374**	$ 1,168	17.6%
EBITDA margin[2]	**5.9%**	5.2%		**5.9%**	5.1%	

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

- Sales and same-store sales were positively impacted in the quarter by approximately 0.5% as a result of the shift of Thanksgiving holiday sales into the third quarter of 2009 from the fourth quarter of 2008.

- Sales in the quarter were negatively impacted by 0.5% by the sale of the Company's food service business in the fourth quarter of 2008 and positively impacted by 0.2% by the acquisition of T&T Supermarket Inc. ("T&T").

- In the third quarter of 2009:
  - sales growth in food and drugstore was modest;
  - sales growth in apparel was moderate while sales of other general merchandise declined significantly;
  - gas bar sales declined significantly 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 significantly lower than the second quarter of 2009.

(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 third quarter of 2009 was 22.9%, an increase of 80 basis points compared to 22.1% in the third quarter of the prior year. The improvement was primarily attributable to improved buying synergies, more disciplined vendor management, sales mix, lower fuel costs and the efficiency of transportation operations. Increased investments in pricing partially offset the improvement.

- Operating income in the third quarter of 2009 included a charge related to the effect of stock-based compensation net of equity forwards of $5 million in 2009 compared with $9 million in 2008. The effect on basic net earnings per common share was a charge of $0.03 (2008 – $0.04).

- The Company incurred an incremental cost of $25 million in the third quarter of 2009 related to its previously announced investment in information technology and supply chain, which negatively impacted basic net earnings per common share by $0.06.

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

- On September 28, 2009 the Company finalized its acquisition of T&T, Canada's largest Asian retailer, for $225 million. $191 million was funded by cash and the remainder by $34 million of preferred shares issued by T&T to a vendor prior to the acquisition, the value of which will increase with favourable performance of the T&T business. The results of T&T's operations included in the Company's third quarter operating results were not significant.

"As we progressed through the third quarter, our sales were increasingly impacted by the significant decline in inflation and the ramp-up of our pricing investments. Earnings benefited from cost containment and supply chain efficiencies." said Galen G. Weston, Executive Chairman, Loblaw Companies Limited, "We expect that sales and margins will be challenged due to decreasing inflation, competitive intensity and our ongoing renovation and infrastructure programs."

Contents

1	2009 Third Quarter Summary	16	Consolidated Statements of Comprehensive Income
3	Forward-Looking Statements	17	Consolidated Balance Sheets
4	Management's Discussion and Analysis	18	Consolidated Cash Flow Statements
15	Consolidated Statements of Earnings	19	Notes to the Unaudited Interim Period Consolidated Financial Statements
16	Consolidated Statements of Changes in Shareholders' Equity	28	Earnings Coverage Exhibit to the Unaudited Interim Consolidated Financial Statements

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

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

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") for Loblaw Companies Limited and its subsidiaries (collectively, the "Company" or "Loblaw") should be read in conjunction with the Company's third quarter 2009 unaudited interim period consolidated financial statements and the accompanying notes included in this Quarterly Report and the audited annual consolidated financial statements and the accompanying notes for the year ended January 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 November 16, 2009, unless otherwise noted.

Acquisition of T&T Supermarket Inc.

On September 28, 2009, the Company acquired T&T Supermarket Inc. ("T&T") for $225 million. $191 million was funded by cash and the remainder by $34 million of preferred shares issued by T&T to a vendor prior to the acquisition, the value of which will increase with favourable performance of the T&T business. T&T is Canada's largest Asian food retailer. Sales of the T&T business in the twelve months ending September 30, 2009 were approximately $520 million. The results of T&T's operations consolidated with the Company's results for the quarter ended October 10, 2009 were not significant.

Results of Operations

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

Sales Sales for the third quarter decreased by 0.2% to $9,473 million compared to $9,493 million in the third quarter of 2008.

The following factors explain the major components that influenced sales for the third quarter of 2009 compared to the same period in 2008:

- same-store sales declined by 0.6%;
- T&T sales positively impacted the Company's sales by 0.2%;
- the shift of Thanksgiving holiday sales in the third quarter of 2009 from the fourth quarter of 2008 resulted in higher sales and same-store sales of approximately 0.5%;
- sales were negatively impacted by 0.5% by the sale of the Company's food service business in the fourth quarter of 2008;
- sales growth in food and drugstore was modest;
- sales growth in apparel was moderate while sales of other general merchandise declined significantly due to lower discretionary consumer spending and reductions in assortment and square footage;
- gas bar sales declined significantly 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 4.2% as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI") and significantly lower than the second quarter of 2009. In the third quarter of 2008, the Company experienced moderate internal retail food price inflation. CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores; and
- during the third quarter of 2009, 27 corporate and franchised stores were opened, including 17 acquired T&T stores, and 10 corporate and franchised stores were closed, resulting in a net increase of 0.8 million square feet or 1.6%. During the last four quarters, 50 corporate and franchised stores were opened, including 17 acquired T&T stores, and 33 corporate and franchised stores were closed, resulting in a net increase of 1.0 million square feet, or 2.0%.

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

For the first three quarters of the year, sales increased by 1.6%, or $367 million, to $23,424 million over the same period in the prior year. The following factors, in addition to the quarterly factors mentioned above, further explain the change in year-to-date sales over the same period in 2008:

- same-store sales growth of 1.1%;
- 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 0.1%; and
- sales and same-store sales growth were negatively impacted by 0.2% due to a strike in certain *Maxi* stores in Quebec. These stores reopened in the first quarter of 2009, except for two stores that were permanently closed.

Gross Profit Gross profit increased by $68 million to $2,165 million in the third quarter of 2009 compared to $2,097 million in 2008. Gross profit as a percentage of sales was 22.9% in the third quarter of 2009 compared to 22.1% in 2008. Year-to-date gross profit increased by $297 million to $5,468 million compared to $5,171 in 2008. Year-to-date gross profit as a percentage of sales was 23.3% compared to 22.4% in 2008. In the first three quarters of 2009, improved buying synergies, more disciplined vendor management, sales mix and the efficiency of transportation operations contributed to the increase in gross profit and gross profit as a percentage of sales. Lower fuel costs also contributed to the improvement in the third quarter of 2009, partially offset by increased investments in pricing.

Operating Income Operating income was $378 million for the third quarter of 2009 compared to $312 million in the same period in 2008, an increase of 21.2%. Operating margin was 4.0% for the third quarter of 2009 compared to 3.3% in 2008. The increases in operating income and operating margin were primarily due to the increases in gross profit and gross profit as a percentage of sales. Included in operating income was a charge of $5 million (2008 - $9 million) related to stock-based compensation net of the equity forwards. Partially offsetting the improvement in operating income were incremental costs of $25 million related to the Company's previously announced investment in information technology and supply chain.

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

EBITDA[(1)] increased by $67 million, or 13.7%, to $557 million in the third quarter of 2009 compared to $490 million in the third quarter of 2008. EBITDA margin[(1)] increased in the third quarter of 2009 to 5.9% from 5.2% in the comparable period of 2008. The increases in EBITDA[(1)] and EBITDA margin[(1)] were primarily due to the increases in operating income and operating margin.

Year-to-date operating income for 2009 increased by $196 million, or 26.8%, to $928 million, and resulted in an operating margin of 4.0% compared to 3.2% in the comparable period in 2008. Included in 2009 year-to-date operating income is a charge of $17 million (2008 - $24 million) related to stock-based compensation net of the equity forwards. The year-to-date increases in operating income and operating margin were primarily due to higher sales, the improvement in gross profit and lower stock-based compensation costs, partially offset by incremental costs of $61 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 *President's Choice* Bank ("*PC* Bank"), a wholly owned subsidiary of the Company, of $8 million (2008 - $14 million).

Year-to-date EBITDA[(1)] increased by $206 million, or 17.6%, to $1,374 million compared to $1,168 million in the comparable period in 2008. Year-to-date EBITDA margin[(1)] in 2009 increased to 5.9% compared to 5.1% in the comparable period of 2008. The year-to-date increases in EBITDA[(1)] and EBITDA margin[(1)] were primarily due to the year-to-date increases in operating income and operating margin.

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

Interest Expense and Other Financing Charges Interest expense and other financing charges for the third quarter of 2009 were $84 million, compared to $80 million in the same period of 2008. The following items impacted interest expense and other financing charges:

- interest on long term debt of $88 million (2008 – $85 million);
- interest expense on financial derivative instruments, which includes the effect of the Company's interest rate swaps, cross currency swaps and equity forwards, of $1 million (2008 – income of $1 million);
- net short term interest income of $2 million (2008 – nil);
- interest income on security deposits of $1 million (2008 - $2 million);
- dividends on capital securities of $4 million (2008 − $4 million); and
- interest expense of $6 million (2008 – $6 million) was capitalized to fixed assets.

Interest expense and other financing charges year-to-date were $205 million compared to $198 million in 2008.

Income Taxes The effective income tax rate in the third quarter of 2009 was 34.4% (2008 – 29.7%) and 31.8% (2008 – 31.3%) year-to-date. The quarter over quarter increase in the effective income tax rate was primarily due to an increase in the net impact of non-deductible and non-taxable amounts and the current year income tax expense relating to certain prior year income tax matters, partially offset by a change in the proportions of taxable income earned across different tax jurisdictions. The year over year increase in the effective income tax rate was primarily due to the net impact of non-deductible and non-taxable amounts and a change in the proportions of taxable income earned across different tax jurisdictions which was partially offset by a reduction in the current year income tax expense relating to certain prior year income tax matters.

Net Earnings Net earnings for the third quarter increased by $32 million, or 20.4%, to $189 million from $157 million in the third quarter of 2008 and year-to-date increased by $131 million, or 36.4%, to $491 million from $360 million in 2008. Basic net earnings per common share for the third quarter increased by $0.12, or 21.1%, to $0.69 from $0.57 in the third quarter of 2008 and year-to-date increased by $0.48, or 36.6%, to $1.79 compared to $1.31 for the same period last year.

Basic net earnings per common share were impacted in the third quarter of 2009 by a charge of $0.03 (2008 – charge of $0.04) and a year-to-date charge of $0.07 (2008 – $0.11) 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 0.42:1 at the end of the third quarter of 2009 compared to 0.60:1 at the end of the third 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 third quarter of 2009 was primarily due to improvements in working capital and an increase in shareholders' equity. The interest coverage ratio was 4.2 times for the third quarter of 2009 compared to 3.4 times in 2008.

The rolling year return on net assets(1) at the end of the third quarter of 2009 increased to 12.6%, compared to 8.7% 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 third quarter of 2009 increased to 11.5%, compared to 7.2% at the end of the third quarter of 2008, and to 9.7% at year end 2008. The ratios in the third quarter of 2009 were positively impacted by the increase in cumulative operating income for the last four quarters.

Dividends On July 24, 2009, the Company's Board of Directors declared a dividend of $0.21 per common share with a payment date of October 1, 2009 and $0.37 per second preferred share Series A with a payment date of October 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

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

time approve a discount on the issuance of common shares from treasury under the DRIP. On October 1, 2009 and July 1, 2009, the Company issued 1,298,568 and 1,163,201 common shares, respectively, from treasury at a three percent (3%) discount to market, resulting in net cash savings to the Company of approximately $79 million year-to-date.

Subsequent to the end of the quarter, the Board declared a quarterly dividend of $0.21 per common share payable on December 30, 2009 and a quarterly dividend of $0.37 per second preferred share Series A payable on January 31, 2010.

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 common shares under the DRIP, 276,635,333 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 third quarter of 2009. The second preferred shares Series A are classified as capital securities and are included in long term liabilities. Further information on the Company's outstanding share capital is provided in note 14 to the unaudited interim period consolidated financial statements.

Liquidity and Capital Resources

Cash flows from Operating Activities Third quarter cash flows from operating activities were $855 million in 2009 compared to $389 million in the comparable period in 2008. On a year-to-date basis, cash flows from operating activities were $1,330 million compared to $341 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.

Cash flows used in (from) Investing Activities Third quarter cash flows used in investing activities were $363 million compared to $101 million cash flows from investing activities in the comparable period in 2008. The increase in cash flows used in investing activities in the third quarter was primarily due to the acquisition of T&T, an increase in fixed asset purchases and a decrease in cash flows from credit card receivables, after securitization. On a year-to-date basis, cash flows used in investing activities were $495 million compared to $159 million in 2008. The year-to-date increase in cash flows used in investing activities was primarily due to the acquisition of T&T and the increase in fixed asset purchases. Capital investment for the third quarter amounted to $284 million (2008 – $197 million) and $606 million (2008 – $397 million) year-to-date. The Company estimates its capital investment in the fourth quarter of 2009 will be approximately $400 million.

Cash Flows used in Financing Activities Third quarter cash flows used in financing activities were $44 million in 2009 compared to $417 million in the comparable period in 2008. The decrease in cash flows used in financing activities was primarily due to the decrease in cash dividend payments as a result of the DRIP and repayment of short term debt in the third quarter of 2008, partially offset by the issuance of capital securities in the third quarter of 2008. On a year-to-date basis, cash flows used in financing activities were $122 million compared to $210 million in 2008. The year-to-date decrease in cash flows used in financing activities was primarily due to the decrease in cash dividend payments as a result of the DRIP, the timing of common share dividends and the refinancing of debt in 2008, partially offset by the issuance of capital securities in the third quarter of 2008.

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

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

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

Net debt[1] was $2,681 million at the end of the third quarter of 2009 compared to $3,463 million at the end of the third quarter of 2008. The decrease of $782 million was primarily due to an improvement in working capital and the cash savings associated with the DRIP, partially offset by the acquisition of T&T. During the first three quarters of 2009, net debt[1] decreased by $612 million due to an improvement in working capital and cash savings associated with the DRIP, partially offset by the acquisition of T&T. In the first three quarters of 2008, net debt[1] decreased by $106 million due to the issuance of capital securities, *PC* Bank securitization and an improvement 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 Company's existing $800 million credit facility will enable the Company to finance its capital investment program and fund its ongoing business requirements, including working capital and pension plan funding, over the next twelve months. Given reasonable access to capital markets, the Company does not foresee any impediments 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 - $116 million) on a portion of the securitized amount. A portion of the securitized receivables held by an independent trust facility was renewed for a 364 day term in the third quarter of 2009. 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.

On August 5, 2009, DBRS revised the trend on the Company's long term ratings to stable from negative. On October 21, 2009, S&P revised the outlook to stable from negative. The following table sets out the current credit ratings of the Company:

	Dominion Bond Rating Service		Standard & Poor's	
Credit Ratings (Canadian Standards)	Credit Rating	Trend	Credit Rating	Outlook
Commercial paper	R-2 (middle)	Stable	A-2	Stable
Medium term notes	BBB	Stable	BBB	Stable
Preferred shares	Pfd-3	Stable	P-3 (high)	
Other notes and debentures	BBB	Stable	BBB	Stable

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

The Company's 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 impact 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 and short term investments, actively monitoring market conditions and diversifying its sources of funding and the maturity profile of its funding sources.

(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 three 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 third quarter of 2009 was $377 million (2008 – $380 million) including $143 million (2008 – $151 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 time. At the end of the third 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 was renewed. This facility has a further 12 month repayment term on its maturity date and is the source of funding to the independent trusts. The Company determined there were no additional VIEs to consolidate as a result of this financing.

Equity Forward Contracts

At the end of the third quarter, the Company had equity forwards to buy 3.2 million (2008 – 4.8 million) of its common shares at an average forward price of $53.76 (2008 – $54.22) including $9.14 (2008 – $9.35) per common share of interest expense, net of dividends. At the end of the third quarter of 2009 the interest and unrealized market loss of $71 million (2008 – $117 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

In the first three quarters of 2009, the Company contributed $75 million (2008 – $59 million) to its registered funded defined benefit pension plans. The Company expects to contribute $25 million to these plans in the fourth quarter of 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 consolidated financial statements for each of the eight most recently completed quarters.

Summary of Quarterly Results
(unaudited)

($ millions except where otherwise indicated)	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
	2009	2008	2009	2008	2009	2008	2008	2007
	(16 weeks)	(16 weeks – restated[1])	(12 weeks)	(12 weeks - restated[1])	(12 weeks)	(12 weeks - restated[1])	(13 weeks - restated[1])	(12 weeks - restated[1])
Sales	**$ 9,473**	$ 9,493	$ 7,233	$ 7,037	$ 6,718	$ 6,527	$ 7,745	$ 6,967
Net earnings	**$ 189**	$ 157	$ 193	$ 140	$ 109	$ 63	$ 190	$ 43
Net earnings per common share Basic and diluted ($)	**$ 0.69**	$ 0.57	$ 0.70	$ 0.51	$ 0.40	$ 0.23	$ 0.69	$ 0.16

Sales and same-store sales in the third quarter of 2009 declined by 0.2% and 0.6%, respectively, compared to the third quarter of 2008. Sales and same-store sales in the third quarter of 2009 relative to 2008 were positively impacted by approximately 0.5% as a result of the shift of Thanksgiving holiday sales into the third quarter of 2009 from the fourth quarter of 2008. Sales in the third quarter of 2009 relative to the third quarter of 2008 were positively impacted by 0.2% due to the acquisition of T&T. Sales growth in the first, second and third quarters of 2009 were each negatively impacted by 0.5% due to the sale of the Company's food service business in the last quarter of 2008. Quarterly same-store sales growth for the previous three quarters was 10.6% in the fourth quarter of 2008, 2.1% in the first quarter of 2009 and 2.5% in the second 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 impact 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 third quarter of 2009, 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 first quarter.

Internal Control over Financial Reporting

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

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

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

Management has evaluated whether there were changes in the Company's internal controls over financial reporting that occurred during the period beginning June 21, 2009 and ended on October 10, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. Management has considered the acquired T&T business in its scoping and testing for the quarter. Management has determined that no material changes occurred during this period.

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:

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

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

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 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 $11 million ($22 million year-to-date), a decrease in depreciation and amortization of $12 million ($25 million year-to-date) and a decrease to future tax expense of $1 million (nil year-to-date). Restatement of the comparative period also resulted in a decrease to other assets of $51 million, a decrease to retained earnings of $34 million and a decrease to the future income taxes liability of $17 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 EIC 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.

Future Accounting Standards

Financial Instruments – Disclosures In June 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures," to include additional disclosure relating to the measurement of fair value for financial instruments and liquidity risk. The amendment establishes a three level hierarchy that reflects the significance of the inputs used in fair value measurements on financial instruments. The amendment is effective for annual financial statements relating to fiscal years ending after September 30, 2009, therefore the Company will implement these additional disclosures in its 2009 annual audited financial statements. The impact of implementing these amendments on the Company's financial statement disclosures is currently being assessed.

Business Combinations In January 2009, the CICA issued Section 1582, "Business Combinations," which will replace Section 1581 of the same title and issued Sections 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests". These standards will harmonize Canadian GAAP with International Financial Reporting Standards ("IFRS"). The amendments establish principles and requirements for determining how an enterprise recognizes and measures the fair value of certain assets and liabilities acquired in a business combination, including non-controlling interests, contingent consideration, and certain acquired contingencies. The amendments also require that acquisition related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. These amendments are effective for business combinations with an acquisition date on or after January 1, 2011 and early adoption is permitted. The impact of implementing these amendments on the Company's financial statements is currently being assessed.

International Financial Reporting Standards

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, are being examined.

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]

As the Company progressed through its third quarter, sales were increasingly impacted by the significant decline in inflation and the ramp-up of pricing investments. Earnings benefited from cost containment and supply chain efficiencies. The Company expects that sales and margins will be challenged due to decreasing inflation, competitive intensity and ongoing renovation and infrastructure 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, *PC* 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 they 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 sixteen and forty week periods ended October 10, 2009 and October 4, 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 (16 weeks)**	2008 (16 weeks – restated[(1)])	**2009 (40 weeks)**	2008 (40 weeks – restated[(1)])
Net earnings	**$ 189**	$ 157	**$ 491**	$ 360
Add (deduct) impact of the following:				
Minority interest	**4**	6	**2**	7
Income taxes	**101**	69	**230**	167
Interest expense and other financing charges	**84**	80	**205**	198
Operating income	**378**	312	**928**	732
Add impact of the following:				
Depreciation and amortization	**179**	178	**446**	436
EBITDA	**$ 557**	$ 490	**$ 1,374**	$ 1,168

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.

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

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 October 10, 2009**	As at October 4, 2008	As at January 3, 2009	As at December 29, 2007
Bank indebtedness	**$ 1**	$ 64	$ 52	$ 3
Short term debt	**–**	282	190	418
Long term debt due within one year	**342**	163	165	432
Long term debt	**4,056**	4,040	4,070	3,852
Other liabilities	**36**	–	–	–
Fair value of financial derivative liabilities (assets)	**(108)**	(40)	6	(159)
	4,327	4,509	4,483	4,546
Less: Cash and cash equivalents	**1,164**	439	528	430
Short term investments	**206**	251	225	225
Security deposits	**276**	356	437	322
Net debt	**$ 2,681**	$ 3,463	$ 3,293	$ 3,569

The second preferred shares Series A are classified as capital securities and are excluded from the calculation of net debt. Fair value of financial derivatives 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 October 10, 2009**	As at October 4, 2008 (restated[1])	As at January 3, 2009 (restated[1])
Canadian GAAP total assets	**$ 14,672**	$ 13,523	$ 13,943
Less: Cash and cash equivalents	**1,164**	439	528
Short term investments	**206**	251	225
Security deposits	**276**	356	437
Accounts payable and accrued liabilities	**3,147**	2,579	2,823
Net assets	**$ 9,879**	$ 9,898	$ 9,930

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

Consolidated Statements of Earnings

(unaudited)

For the periods ended October 10, 2009 and October 4, 2008 ($ millions except where otherwise indicated)	**2009** **(16 weeks)**	2008 (16 weeks – restated[1])	**2009** **(40 weeks)**	2008 (40 weeks – restated[1])
Sales	**$ 9,473**	$ 9,493	**$ 23,424**	$ 23,057
Cost of Merchandise Inventories Sold (note 10)	**7,308**	7,396	**17,956**	17,886
Gross Profit	**2,165**	2,097	**5,468**	5,171
Operating Expenses				
Selling and administrative expenses	**1,608**	1,607	**4,094**	4,003
Depreciation and amortization	**179**	178	**446**	436
	1,787	1,785	**4,540**	4,439
Operating Income	**378**	312	**928**	732
Interest expense and other financing charges (note 4)	**84**	80	**205**	198
Earnings before Income Taxes and Minority Interest	**294**	232	**723**	534
Income taxes (note 5)	**101**	69	**230**	167
Net Earnings before Minority Interest	**193**	163	**493**	367
Minority interest	**4**	6	**2**	7
Net Earnings	**$ 189**	$ 157	**$ 491**	$ 360
Net Earnings Per Common Share ($) (note 6)				
Basic and diluted	**$ 0.69**	$ 0.57	**$ 1.79**	$ 1.31

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 October 10, 2009 and October 4, 2008 ($ millions except where otherwise indicated)	2009 (40 weeks)	2008 (40 weeks – restated[1])
Common Share Capital, Beginning of Period	**$ 1,196**	$ 1,196
Common shares issued (note 14)	**79**	–
Common Share Capital, End of Period	**$ 1,275**	$ 1,196
Retained Earnings, Beginning of Period (restated[1])	**$ 4,577**	$ 4,289
Cumulative impact of implementing new accounting standards (note 2)	**(6)**	(37)
Net earnings	**491**	360
Dividends declared per common share – 63¢ (2008 – 63¢)	**(173)**	(173)
Retained Earnings, End of Period	**$ 4,889**	$ 4,439
Accumulated Other Comprehensive Income, Beginning of Period	**$ 30**	$ 19
Cumulative impact of implementing new accounting standards (note 2)	**(2)**	–
Other comprehensive loss	**(13)**	(7)
Accumulated Other Comprehensive Income, End of Period (note 15)	**$ 15**	$ 12
Total Shareholders' Equity	**$ 6,179**	$ 5,647

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

Consolidated Statements of Comprehensive Income

(unaudited)

For the periods ended October 10, 2009 and October 4, 2009 ($ millions)	2009 (16 weeks)	2008 (16 weeks – restated[1])	2009 (40 weeks)	2008 (40 weeks – restated[1])
Net earnings	**$ 189**	$ 157	**$ 491**	$ 360
Other comprehensive income, net of income taxes				
Net unrealized (loss) gain on available-for-sale financial assets	**(12)**	11	**(23)**	33
Reclassification of net (gain) loss on available-for-sale financial assets to net earnings	**16**	(8)	**(8)**	(9)
	4	3	**(31)**	24
Net gain (loss) on derivatives designated as cash flow hedges	**(2)**	6	**4**	(9)
Reclassification of net loss (gain) on derivatives designated as cash flow hedges to net earnings	**(2)**	(4)	**14**	(22)
	(4)	2	**18**	(31)
Other comprehensive (loss) income	**–**	5	**(13)**	(7)
Total Comprehensive Income	**$ 189**	$ 162	**$ 478**	$ 353

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 October 10, 2009 (unaudited)	As at October 4, 2008 (restated[1]) (unaudited)	As at January 3, 2009 (restated[1]) (audited)
Assets			
Current Assets			
Cash and cash equivalents (note 7)	**$ 1,164**	$ 439	$ 528
Short term investments	**206**	251	225
Accounts receivable (notes 8 and 9)	**583**	688	867
Inventories (notes 2 and 10)	**2,163**	2,217	2,188
Income taxes	**23**	52	40
Future income taxes	**34**	49	41
Prepaid expenses and other assets	**97**	59	71
Total Current Assets	**4,270**	3,755	3,960
Fixed Assets	**8,283**	7,877	8,045
Goodwill and other indefinite life intangible assets (note 3)	**994**	807	807
Other Assets	**1,125**	1,084	1,131
Total Assets	**$ 14,672**	$ 13,523	$ 13,943
Liabilities			
Current Liabilities			
Bank indebtedness	**$ 1**	$ 64	$ 52
Short term debt (note 12)	**–**	282	190
Accounts payable and accrued liabilities	**3,147**	2,579	2,823
Long term debt due within one year	**342**	163	165
Total Current Liabilities	**3,490**	3,088	3,230
Long Term Debt (note 13)	**4,056**	4,040	4,070
Other Liabilities (note 3)	**513**	364	445
Future Income Taxes	**193**	146	156
Capital Securities	**219**	219	219
Minority Interest	**22**	19	20
Total Liabilities	**8,493**	7,876	8,140
Shareholders' Equity			
Common Share Capital	**1,275**	1,196	1,196
Retained Earnings	**4,889**	4,439	4,577
Accumulated Other Comprehensive Income (note 15)	**15**	12	30
Total Shareholders' Equity	**6,179**	5,647	5,803
Total Liabilities and Shareholders' Equity	**$ 14,672**	$ 13,523	$ 13,943

Contingencies, commitments and guarantees (note 17).

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 October 10, 2009 and October 4, 2008 ($ millions)	**2009** **(16 weeks)**	2008 (16 weeks – restated[(1)])	**2009** **(40 weeks)**	2008 (40 weeks – restated[(1)])
Operating Activities				
Net earnings before minority interest	**$ 193**	$ 163	**$ 493**	$ 367
Depreciation and amortization	**179**	178	**446**	436
Future income taxes	**1**	6	**4**	(2)
Settlement of equity forward contracts (note 16)	**–**	–	**(38)**	–
Change in non-cash working capital	**467**	20	**409**	(535)
Other	**15**	22	**16**	75
Cash Flows from Operating Activities	**855**	389	**1,330**	341
Investing Activities				
Fixed asset purchases	**(284)**	(197)	**(606)**	(397)
Short term investments	**91**	58	**(13)**	(3)
Proceeds from fixed asset sales	**4**	48	**10**	61
Credit card receivables, after securitization (note 8)	**28**	200	**236**	232
Business acquisitions - net of cash acquired (note 3)	**(194)**	–	**(194)**	–
Franchise investments and other receivables	**5**	(2)	**(4)**	(21)
Security deposits and other	**(13)**	(6)	**76**	(31)
Cash Flows (used in) from Investing Activities	**(363)**	101	**(495)**	(159)
Financing Activities				
Bank indebtedness	**–**	9	**(51)**	61
Short term debt (note 12)	**–**	(516)	**(190)**	(136)
Long term debt				
Issued (note 13)	**10**	–	**370**	301
Retired (note 13)	**(18)**	(13)	**(157)**	(424)
Capital securities issued	**–**	218	**–**	218
Dividends	**(36)**	(115)	**(94)**	(230)
Cash Flows used in Financing Activities	**(44)**	(417)	**(122)**	(210)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(54)**	21	**(77)**	37
Change in Cash and Cash Equivalents	**394**	94	**636**	9
Cash and Cash Equivalents, Beginning of Period	**770**	345	**528**	430
Cash and Cash Equivalents, End of Period	**$ 1,164**	$ 439	**$ 1,164**	$ 439

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.

Future Accounting Standards

Financial Instruments – Disclosures In June 2009, the CICA amended Section 3862, "Financial Instruments – Disclosures," to include additional disclosure relating to the measurement of fair value for financial instruments and liquidity risk. The amendment establishes a three level hierarchy that reflects the significance of the inputs used in fair value measurements on financial instruments. The amendment is effective for annual financial statements relating to fiscal years ending after September 30, 2009, therefore the Company will implement these additional disclosures in its 2009 annual audited financial statements. The impact of implementing these amendments on the Company's financial statement disclosures is currently being assessed.

Business Combinations In January 2009, the CICA issued Section 1582, "Business Combinations," which will replace Section 1581 of the same title and issued Sections 1601 "Consolidated Financial Statements" and 1602 "Non-Controlling Interests". These standards will harmonize Canadian GAAP with International Financial Reporting Standards ("IFRS"). The amendments establish principles and requirements for determining how an enterprise recognizes and measures the fair value of certain assets and liabilities acquired in a business combination, including non-controlling interests, contingent consideration, and certain acquired contingencies. The amendments also require that acquisition related transaction expenses and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination. These amendments are effective for business combinations with an acquisition date on or after January 1, 2011 and early adoption is permitted. The impact of implementing these amendments on the Company's financial statements is currently being assessed.

Note 2. Implementation of New Accounting Standards

Accounting Standards Implemented in 2009

Goodwill and Intangible Assets In November 2007, the CICA issued amendments to Section 1000 "Financial Statement Concepts", and 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 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 $11 ($22 year-to-date), a decrease in depreciation and amortization of $12 ($25 year-to-date) and a decrease to future tax expense of $1 (nil year-to-date). Restatement of the comparative period also resulted in a decrease to other assets of $51, a decrease to retained earnings of $34 and a decrease to the future income taxes liability of $17. 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. Business Acquisitions

On September 28, 2009, the Company acquired all of the outstanding common shares of T&T Supermarket Inc. ("T&T"), for cash consideration of $191. The Company also assumed a liability of $34 associated with the preferred shares issued by T&T to a vendor prior to the acquisition. The liability will increase with favourable performance of the T&T business, and the increase in the liability will be expensed as incurred. $3 of acquisition costs were incurred in connection with the acquisition. The acquisition was accounted for using the purchase method of accounting and accordingly, the consolidated financial statements include the results of operations since the date of the acquisition.

The preferred shares are classified as Other Liabilities on the Consolidated Balance Sheet as at October 10, 2009. Redemption or purchase of the preferred shares may take place upon the occurrence of certain events, including the expiry of 5 years from the closing date of the acquisition. The preferred shareholder may increase this period up to a further 5 years if certain conditions are met. The preferred share liability may be satisfied in cash, the Company's common shares, or a combination thereof, at the option of the Company.

Management expects to finalize the purchase price allocation prior to the end of fiscal 2009. As a result, the actual amount allocated to each of the identifiable net assets may vary from preliminary amounts.

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

Net assets acquired:	
Inventory	$ 39
Other current assets	11
Fixed assets	70
Goodwill and other indefinite life intangible assets	180
Other long term assets	14
Current liabilities	(69)
Other liabilities	(36)
Future income taxes	(18)
Cash consideration	$ 191

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

Note 4. Interest Expense and Other Financing Charges

($ millions)	**2009 (16 weeks)**	2008 (16 weeks)	**2009 (40 weeks)**	2008 (40 weeks)
Interest on long term debt	**$ 88**	$ 85	**$ 215**	$ 216
Interest expense (income) on financial derivative instruments	**1**	(1)	**2**	(4)
Net short term interest (income) expense	**(2)**	–	**(5)**	4
Interest income on security deposits	**(1)**	(2)	**(2)**	(7)
Dividends on capital securities	**4**	4	**11**	4
Capitalized to fixed assets	**(6)**	(6)	**(16)**	(15)
Interest Expense	**$ 84**	$ 80	**$ 205**	$ 198

In the third quarter of 2009, net interest expense of $81 (2008 – $89) and $200 (2008 – $215) 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 third quarter of 2009 was $75 (2008 – $99), and interest received was $13 (2008 – $35). Interest and dividends on capital securities paid year-to-date was $265 (2008 – $304) and interest received year-to-date was $57 (2008 – $103).

Note 5. Income Taxes

The effective income tax rate in the third quarter of 2009 was 34.4% (2008 restated(1) – 29.7%) and 31.8% (2008 restated(1) – 31.3%) year-to-date. The quarter over quarter increase in the effective income tax rate was primarily due to an increase in the net impact of non-deductible and non-taxable amounts and the current year income tax expense relating to certain prior year income tax matters, partially offset by a change in the proportions of taxable income earned across different tax jurisdictions. The year over year increase in the effective income tax rate was primarily due to the net impact of non-deductible and non-taxable amounts and a change in the proportions of taxable income earned across different tax jurisdictions which was partially offset by a reduction in the current year income tax expense relating to certain prior year income tax matters.

Net income taxes paid in the third quarter were $60 (2008 – taxes refunded $17), and $184 (2008 – $88) year-to-date.

Note 6. Basic and Diluted Net Earnings per Common Share ($, except where otherwise indicated)

	2009 (16 weeks)	2008 (16 weeks – restated(1))	**2009 (40 weeks)**	2008 (40 weeks – restated(1))
Net earnings for basic earnings per share ($ millions)	**$ 189**	$ 157	**$ 491**	$ 360
Dividends on capital securities ($ millions) (note 14)	**4**	4	**11**	4
Net earnings for diluted earnings per share ($ millions)	**$ 193**	$ 161	**$ 502**	$ 364
Weighted average common shares outstanding (in millions)	**275.3**	274.2	**274.6**	274.2
Dilutive effect of capital securities (in millions)	**6.2**	7.9	**6.2**	3.0
Dilutive effect of stock-based compensation (in millions)	**0.2**	–	**0.2**	–
Diluted weighted average common shares outstanding (in millions)	**281.7**	282.1	**281.0**	277.2
Basic and diluted net earnings per common share	**$ 0.69**	$ 0.57	**$ 1.79**	$ 1.31

Stock options outstanding with an exercise price greater than the market price of the Company's common shares at the end of the third quarter were not recognized in the computation of diluted net earnings per common share. Accordingly, in the third quarter of 2009, 4,223,744 (2008 – 4,863,725) stock options, with a weighted average exercise price of $52.26 (2008 – $52.57) per common share, were excluded from the computation of diluted net earnings per common share.

(1) See note 2.

Note 7. Cash and Cash Equivalents

The components of cash and cash equivalents as at October 10, 2009, October 4, 2008 and January 3, 2009 were as follows:

	As at October 10, 2009	As at October 4, 2008	As at January 3, 2009
Cash	**$ 107**	$ 46	$ 42
Cash equivalents − short term investments with a maturity of 90 days or less:			
Bank term deposits	**548**	–	–
Government treasury bills	**232**	144	219
Government-sponsored debt securities	**102**	116	58
Corporate commercial paper	**175**	133	209
Cash and cash equivalents	**$ 1,164**	$ 439	$ 528

As at October 10, 2009, USD $955 (October 4, 2008 – USD $930 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 third quarter of 2009, the Company recognized an unrealized foreign currency exchange loss of $93 (2008 − gain of $52) and $156 (2008 – gain of $94) 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 $54 (2008 − gain of $21) in the quarter and $77 (2008 – gain of $37) year-to-date related to cash and cash equivalents. The resulting loss on cash and cash equivalents, short term investments and security deposits is offset in operating income and other comprehensive income by the unrealized foreign currency exchange gain of $93 (2008 – loss of $51) quarter-to-date and a gain of $155 (2008 – loss of $93) year-to-date on the cross currency swaps.

Note 8. 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 held by an independent trust facility was renewed for a 364 day term during the third quarter of 2009. The independent trusts' recourse to *PC* Bank's assets is limited to *PC* Bank's retained interests and is further supported by the Company through a standby letter of credit for $116 (2008 – $116) on a portion of the securitized amount. Other receivables consist mainly of receivables from independent franchisees, associated stores and independent accounts.

($ millions)	**As at October 10, 2009**	As at October 4, 2008	As at January 3, 2009
Credit card receivables	**$ 1,955**	$ 2,065	$ 2,206
Amount securitized	**(1,775)**	(1,775)	(1,775)
Net credit card receivables	**180**	290	431
Other receivables	**403**	398	436
Accounts receivable	**$ 583**	$ 688	$ 867

Credit card receivables that were past due of $4 (2008 – $6) as at October 10, 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 is managed as described in note 26 to the Company's 2008 Annual Report. Other receivables that are past due but not impaired totalled $34 (2008 – $61) as at October 10, 2009.

Note 9. 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

	16 weeks ended		40 weeks ended		53 weeks ended
($ millions)	**October 10, 2009**	October 4, 2008	**October 10, 2009**	October 4, 2008	January 3, 2009
Allowance at beginning of period	**$ (15)**	$ (13)	**$ (15)**	$ (13)	$ (13)
Provision for losses	**(7)**	(14)	**(15)**	(26)	(35)
Recoveries	**(4)**	(5)	**(7)**	(9)	(14)
Write-offs	**11**	19	**22**	35	47
Allowance at end of period	**$ (15)**	$ (13)	**$ (15)**	$ (13)	$ (15)

Other Receivables

	16 weeks ended		40 weeks ended		53 weeks ended
($ millions)	**October 10, 2009**	October 4, 2008	**October 10, 2009**	October 4, 2008	January 3, 2009
Allowance at beginning of period	**$ (27)**	$ (35)	**$ (24)**	$ (35)	$ (35)
Provision for losses	**(40)**	(29)	**(74)**	(56)	(81)
Write-offs	**37**	37	**68**	64	92
Allowance at end of period	**$ (30)**	$ (27)	**$ (30)**	$ (27)	$ (24)

Note 10. Inventories

For inventories recorded as at October 10, 2009, the Company recorded $15 (October 4, 2008 – $10) as an expense for the write-down of inventories below cost to net realizable value.

Note 11. Employee Future Benefits

The Company's total net benefit plan cost recognized in operating income was $56 (2008 – $49) for the third quarter and $141 (2008 – $126) year-to-date. The total net benefit plan cost included costs for the Company's defined benefit pension and other benefit plans, defined contribution pension plans and multi-employer pension plans.

Note 12. Short Term Debt

As described in note 15 of the 2008 Annual Report, the Company's $800 committed credit facility expiring in March of 2013 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 October 10, 2009, nil (October 4, 2008 – $273, January 3, 2009 – $190) was drawn on the committed credit facility.

Note 13. 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 are subject to certain covenants. The notes are unsecured obligations of Loblaw and rank equally with all other 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 October 10, 2009, $313 (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 14. Share Capital **($, except where otherwise indicated)**

At the end of the third quarter of 2009, the Company's outstanding common share capital was comprised of common shares, an unlimited number of which were authorized and 276,635,333 (2008 – 274,173,564) were issued and outstanding.

Dividends

During the third quarter of 2009, the Board of Directors declared dividends of $0.21 (2008 – $0.21) and $0.63 (2008 – $0.63) year-to-date per common share. In addition during the third quarter of 2009, dividends of $0.37 (2008 – $0.54) and $1.12 (2008 – $0.54) year-to-date per second preferred share were declared. For financial statement presentation purposes, second preferred share dividends of $4 million (2008 – $4 million) and $11 million (2008 – $4 million) are included for the sixteen and forty weeks ended October 10, 2009, respectively, on the Consolidated Statement of Earnings as a component of interest expense and other financing charges (see note 4).

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. During the third quarter, the Company issued 2,461,769 common shares from treasury under the DRIP at a three percent (3%) discount to market resulting in an increase in common share capital of $79.

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 first three quarters of 2009 or 2008.

Note 15. Accumulated Other Comprehensive Income

The following table provides further detail regarding the composition of accumulated other comprehensive income for the 40 week periods ended October 10, 2009 and October 4, 2008:

	40 weeks ended					
	October 10, 2009			October 4, 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 $1 (2008 – $1)]	**–**	**(23)**	**(23)**	–	33	33
Reclassification of gain on available-for-sale financial assets [net of income taxes recovered of $3 (2008 – $5)]	**–**	**(8)**	**(8)**	–	(9)	(9)
Net gain (loss) on derivatives designated as cash flow hedges [net of income taxes recovered of $8 (2008 – income taxes of $9)]	**4**	**–**	**4**	(9)	–	(9)
Reclassification of loss (gain) on derivatives designated as cash flow hedges [net of income taxes recovered of $6 (2008 – nil)]	**14**	**–**	**14**	(22)	–	(22)
Balance, end of period	**$ 30**	**$ (15)**	**$ 15**	$ (9)	$ 21	$ 12

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 $8 (2008 – $6) 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 $16 (2008 – loss of $17) on cross currency swaps will be reclassified to net earnings over the next 12 months but will be partially offset by the losses reclassified from accumulated other comprehensive income to net earnings 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 16. 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 (16 weeks)**	2008 (16 weeks)	**2009 (40 weeks)**	2008 (40 weeks)
Stock option plan (income) expense	**$ (5)**	$ (1)	**$ (2)**	$ 1
Equity forwards loss	**8**	8	**13**	18
Restricted share unit plan expense	**2**	2	**6**	5
Net stock-based compensation expense	**$ 5**	$ 9	**$ 17**	$ 24

Stock Option Plan The Company's stock option plan allows for the settlement in shares or in the share appreciation value in cash at the option of the employee. During the third quarter of 2009, the Company granted 44,032 (2008 − 82,204) stock options with an exercise price of $34.31 (2008 − $29.30) per common share. During the second quarter of 2009, 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 first quarter of 2009, the Company granted 2,640,846 (2008 – 3,303,557) stock options with an exercise price of $30.99 (2008 – $28.95) per common share. During the first three quarters of 2009, the Company paid the share appreciation value of $1 million (2008 − nil) on the exercise of 116,358 (2008 − nil) stock options. In addition, 1,224,404 (2008 − 1,914,555) stock options were forfeited or cancelled during the first three quarters of 2009.

At the end of the third quarter of 2009, a total of 9,261,545 (2008 − 8,012,762) stock options were outstanding and represented approximately 3.3% (2008 − 2.9%) of the Company's issued and outstanding common shares, which was within the Company's guideline of 5%. The Company's market price per common share at the end of the third quarter was $31.54 (2008 − $29.75).

Restricted Share Unit ("RSU") Plan Under its existing RSU plan, the Company granted 13,373 RSUs (2008 − 13,526) in the third quarter of 2009, 3,994 RSUs (2008 – 45,321) in the second quarter and 425,093 RSUs (2008 – 352,268) in the first quarter of 2009. During the third quarter of 2009, 20,537 RSUs (2008 – 32,889) and 94,070 RSUs (2008 – 87,995) year-to-date were cancelled. In addition, during the third quarter of 2009, 12,585 (2008 – 13,130) and 199,920 (2008 – 246,785) year-to-date RSUs were settled in cash for $1 million (2008 – a nominal amount) and $7 million (2008 – $8 million), respectively. At the end of the third quarter 977,869 (2008 – 845,022) RSUs remained outstanding.

Equity Forwards At the end of the third 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 $53.76 (2008 – $54.22) including $9.14 (2008 – $9.35) 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 17. 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 October 10, 2009 was $377 (2008 − $380) including $143 (2008 − $151) 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 October 10, 2009. The standby letter of credit has not been drawn upon.

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

Legal Proceedings 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.

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 October 10, 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)	4.18 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 October 10, 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, through its subsidiaries, 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

Computershare Investor Services Inc.	Tel: (416) 263-9200
100 University Avenue	Toll free: 1-800-564-6253
Toronto, Canada	Fax: (416) 263-9394
M5J 2Y1	Toll free fax: 1-888-453-0330

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 fourth quarter, which is the close of business on December 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.

Ce rapport est disponible en français.

This report was printed in Canada on recycled paper.

Loblaw

COMPANIES LIMITED

Ce rapport est disponible en français.