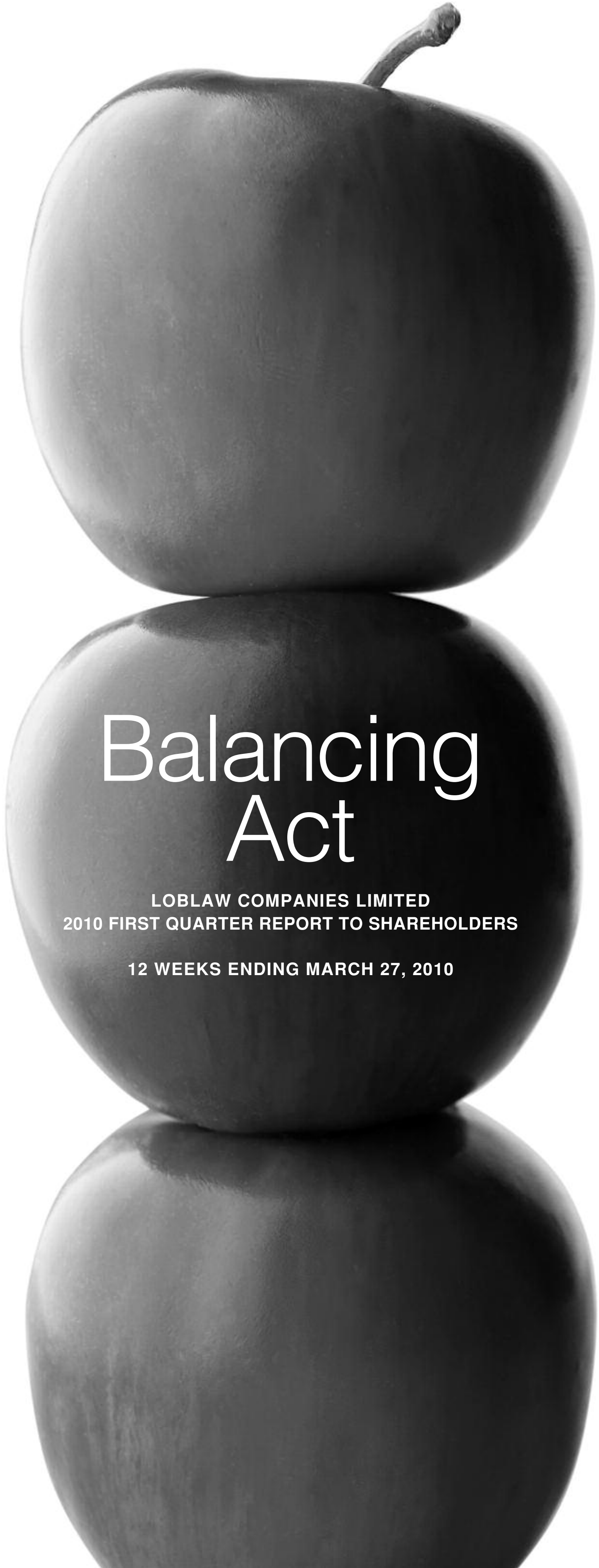
Loblaw
COMPANIES LIMITED



Balancing Act

LOBLAW COMPANIES LIMITED
2010 FIRST QUARTER REPORT TO SHAREHOLDERS

12 WEEKS ENDING MARCH 27, 2010

LOBLAW COMPANIES LIMITED REPORTS FIRST QUARTER 2010 RESULTS

2010 First Quarter Summary[1]

- Basic net earnings per common share of $0.50, up 25.0%
- EBITDA[2] margin of 5.9%, an increase of 60 basis points
- Sales of $6,926 million, growth of 3.1%
- Same-store sales growth of 0.3%

For the periods ended March 27, 2010 and March 28, 2009 (unaudited) ($ millions except where otherwise indicated)	**2010 (12 weeks)**	2009 (12 weeks)	% Change
Sales	**$ 6,926**	$ 6,718	3.1%
Gross profit	**1,720**	1,614	6.6%
Operating income	**260**	226	15.0%
Net earnings	**137**	109	25.7%
Basic net earnings per common share ($)	**0.50**	0.40	25.0%
Same-store sales growth (%)	**0.3%**	2.1%	
Operating margin	**3.8%**	3.4%	
EBITDA[2]	**$ 412**	$ 358	15.1%
EBITDA margin[2]	**5.9%**	5.3%	

"The Company remains on track with its renewal program," said Galen G. Weston, Executive Chairman, Loblaw Companies Limited. "Our major investment in information technology and supply chain will now start to ramp up. As previously announced, we expect these investments to negatively impact 2010 operating income".

- Sales in the first quarter of 2010 were positively impacted by 2.0% by the acquisition of T&T Supermarket Inc. ("T&T"), which was completed in the third quarter of 2009;

- Sales and same-store sales growth were positively impacted by approximately 0.5% as a result of a labour disruption during the first quarter of 2009 in certain *Maxi* stores in Quebec;

- In the first quarter of 2010:
  - sales growth in food was flat and in drugstore was modest;
  - sales growth in apparel was strong while sales of other general merchandise declined significantly;
  - gas bar sales increased significantly as a result of higher retail gas prices and strong volume growth; and
  - the Company experienced internal retail food price deflation compared to flat national food price inflation as measured by "The Consumer Price Index for Food Purchased from Stores". The Company's measure showed greater internal retail food price deflation in the first quarter of 2010 than in the fourth quarter of 2009 and was significantly lower than internal retail food price inflation in the first 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.

- Gross profit increased by $106 million, or 6.6% to $1,720 million in the first quarter of 2010 compared to the first quarter of 2009. Gross profit as a percentage of sales in the first quarter of 2010 was 24.8% compared to 24.0% in the first quarter of 2009. The increase was primarily attributable to buying synergies, disciplined vendor management, a stronger Canadian dollar, improved inventory management and control label profitability.

- Operating income in the first quarter of 2010 included a charge related to the effect of stock-based compensation net of equity forwards of $9 million in 2010 compared with $19 million in 2009. The effect on basic net earnings per common share was a charge of $0.02 (2009 – $0.07).

- The Company incurred an incremental cost of $28 million in the first quarter of 2010 related to its investment in information technology and supply chain, which negatively impacted basic net earnings per common share by $0.07.

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

Contents

Forward-Looking Statements

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

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

- the possibility that the Company's plans and objectives will not be achieved;
- changes in economic conditions including the rate of inflation or deflation;
- changes in consumer spending and preferences; heightened competition, whether from new competitors or current competitors;
- changes in the Company's or its competitors' pricing strategies;
- failure of the Company's franchised stores to perform as expected;
- risks associated with the terms and conditions of financing programs offered to the Company's franchisees;
- failure 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, or unanticipated results from these 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 inventory and to control shrink;
- failure to execute successfully and in a timely manner the Company's introduction of innovative and reformulated products or new and renovated stores;
- the inability of the Company's supply chain to service the needs of the Company's stores;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements which could lead to work stoppages;
- changes to the regulatory environment in which the Company operates;
- the adoption of new accounting standards and changes in the Company's use of accounting estimates;
- fluctuations in the Company's earnings due to changes in the value of stock based compensation and equity forward contracts relating to its Common Shares;
- changes in the Company's tax liabilities including changes in tax laws or future assessments;
- detrimental reliance on the performance of third-party service providers;
- public health events including those relating to food safety;
- changes in interest and currency exchange rates;
- the inability of the Company or its franchisees to obtain external financing;

- the inability of the Company to collect on its credit card receivables;
- any requirement of the Company to make contributions to its registered funded defined benefit pension plans in excess of those currently contemplated;
- the inability of the Company to attract and retain key executives; and
- supply and quality control issues with vendors.

These and other risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Enterprise Risks and Risk Management section of the Management's Discussion and Analysis ("MD&A") included in the Company's 2009 Annual Report – Financial Review. These forward looking statements reflect management's current assumptions regarding these risks and uncertainties and their respective impact on the Company.

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

Management's Discussion and Analysis

The following Management's discussion and Analysis ("MD&A") for Loblaw Companies Limited and its subsidiaries (collectively, the "Company" or "Loblaw") should be read in conjunction with the Company's first quarter 2010 unaudited interim period consolidated financial statements and the accompanying notes included in this Quarterly Report and the audited annual consolidated financial statements and the accompany notes for the year ended January 2, 2010 and the related annual MD&A included in the Company's 2009 Annual Report – Financial Review. The Company's 2010 unaudited interim period consolidated financial statements and the accompanying notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars. These interim period consolidated financial statements include the accounts of the Company and its variable interest entities ("VIEs") that the Company is required to consolidate in accordance with Accounting Guideline 15, "Consolidation of Variable Interest Entities". A glossary of terms used throughout this Quarterly Report can be found on page 86 of the Company's 2009 Annual Report – Financial Review. In addition, this Quarterly Report includes the following terms: "rolling year net debt(1) to EBITDA(1)" which is defined as net debt(1) divided by cumulative EBITDA(1) for the latest four quarters; "rolling year return on average net assets(1)", which is defined as cumulative operating income for the latest four quarters divided by average net assets(1); "rolling year return on average shareholders' equity", which is defined as cumulative net earnings available to common shareholders for the latest four quarters divided by average total common shareholders' equity; and "operating working capital", which is defined as the sum of accounts receivables, inventories and prepaid expenses and other assets less accounts payable and accrued liabilities. The information in this MD&A is current to May 3, 2010, unless otherwise noted.

Results of Operations

Sales Sales for the first quarter increased by 3.1% to $6,926 million compared to $6,718 million in the first quarter of 2009.

The following factors explain the major components of the change in sales for the first quarter of 2010 compared to the same period in 2009:

- same-store sales growth of 0.3%;
- T&T sales positively impacted the Company's sales by 2.0%;
- sales and same-store sales growth were positively impacted by approximately 0.5% as a result of a labour disruption during the first quarter of 2009 in certain *Maxi* stores in Quebec. These stores reopened in the first quarter of 2009, except for 2 stores which were permanently closed;
- sales growth in food was flat and in drugstore was modest;
- sales growth in apparel was strong while sales of other general merchandise declined significantly due to lower discretionary consumer spending and reductions in assortment and square footage;
- gas bar sales increased significantly as a result of higher retail gas prices and strong volume growth;
- the Company experienced internal retail food price deflation compared to flat national food price inflation of 0.7% as measured by "The Consumer Price Index for Food Purchased from Stores" ("CPI") . CPI does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores. The Company's measure showed greater internal retail food price deflation in the first quarter of 2010 than in the fourth quarter of 2009 and was significantly lower than the internal retail food price inflation in the first quarter of 2009; and
- during the first quarter of 2010, 2 stores were opened and 6 stores were closed, resulting in a net decrease of 0.1 million square feet or 0.1%. During the last four quarters, 40 stores were opened, including 17 acquired T&T stores, and 31 stores were closed, resulting in a net increase of 0.7 million square feet, or 1.3%.

Gross Profit Gross profit increased by $106 million to $1,720 million in the first quarter of 2010 compared to $1,614 million in 2009. Gross profit as a percentage of sales was 24.8% in the first quarter of 2010 compared to 24.0% in 2009. The increase in gross profit and gross profit as a percentage of sales was primarily attributable to buying synergies, disciplined vendor management, a stronger Canadian dollar, improved inventory management and control label profitability.

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

Operating Income Operating income was $260 million for the first quarter of 2010 compared to $226 million in the same period in 2009, an increase of 15.0%. Operating margin was 3.8% for the first quarter of 2010 compared to 3.4% in 2009. 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 partially offset by an increase in depreciation of $20 million. Included in operating income was a charge of $9 million (2009 - $19 million) related to stock-based compensation net of the equity forwards and incremental costs of $28 million related to the Company's investment in information technology and supply chain.

On April 22, 2010, the Company announced changes to its distribution network. A charge of approximately $30 million to $40 million is expected to be incurred in connection with the closure of a facility.

EBITDA(1) increased by $54 million, or 15.1%, to $412 million in the first quarter of 2010 compared to $358 million in the first quarter of 2009. EBITDA margin(1) increased in the first quarter of 2010 to 5.9% from 5.3% in the comparable period of 2009. The increases in EBITDA(1) and EBITDA margin(1) were primarily due to the increases in gross profit and gross profit as a percentage of sales.

Interest Expense and Other Financing Charges Interest expense and other financing charges for the first quarter of 2010 were $68 million, compared to $61 million in the same period of 2009. The following items impacted interest expense and other financing charges:

- interest on long term debt of $69 million (2009 – $63 million);
- interest on financial derivative instruments, which includes the net effect of interest rate swaps, cross currency swaps and equity forwards, of $2 million (2009 –$1 million);
- net short term interest income of $1 million (2009 – nil);
- interest income on security deposits of nil (2009 - $1 million);
- dividends on capital securities of $3 million (2009 − $3 million); and
- interest expense of $5 million (2009 – $5 million) was capitalized to fixed assets.

Income Taxes The effective income tax rate in the first quarter of 2010 decreased to 30.7% compared to 37.0% in the first quarter of 2009 primarily due to a change in the proportion of taxable income earned across different tax jurisdictions and the net impact of non-deductible and non-taxable amounts.

Net Earnings Net earnings for the first quarter increased by $28 million, or 25.7%, to $137 million from $109 million in the first quarter of 2009. Basic net earnings per common share for the first quarter increased by $0.10, or 25.0%, to $0.50 from $0.40 in the first quarter of 2009.

Basic net earnings per common share was impacted in the first quarter of 2010 by a charge of $0.02 (2009 – $0.07) per common share for the net effect of stock-based compensation net of equity forwards.

Financial Condition

Financial Ratios The Company's net debt(1) to equity(1) ratio continued to be within the Company's internal guideline of less than 1:1. The net debt(1) to equity(1) ratio was 0.5:1 at the end of the first quarter of 2010 compared to 0.6:1 at the end of the first quarter in 2009 and 0.4:1 at year end 2009. The increase in the net debt(1) to equity(1) ratio at the end of the first quarter of 2010 compared to year end 2009 was primarily due to changes in non-cash working capital and PC Bank's repurchase of $90 million of co-ownership interest in securitized receivables from an independent trust, partially offset by the increase in shareholders' equity. The rolling year net debt(1) to EBITDA(1) ratio was 1.6 times at the end of the first quarter of 2010 compared to 2.1 times at the end of the first quarter of 2009 and 1.6 times at year end 2009. This ratio was unchanged at the end of the first quarter of 2010 compared to year end 2009 due to an increase in net debt(1) offset by the increase in cumulative EBITDA(1) for the last four quarters. The ratio decreased at the end of the first quarter of 2010 compared to the same period in 2009 due to the decrease in net debt(1) and the increase in cumulative EBITDA(1) for the latest four quarters.

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

The interest coverage ratio in the first quarter of 2010 improved to 3.6 times from 3.4 times in the first quarter of 2009. The improvement was due to the improvement in operating income, partially offset by an increase in interest expense.

The rolling year return on net assets[1] at the end of the first quarter of 2010 was 12.0%, compared to 11.0% at the end of the first quarter of 2009 and 12.0% at year end 2009. The rolling year return on shareholders' equity at the end of the first quarter of 2010 was 11.2%, compared to 10.5% at the end of the first quarter of 2009 and 10.9% at year end 2009. The ratios in the first quarter of 2010 were positively impacted by the increase in cumulative operating income for the last four quarters.

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

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

Common Share Capital An unlimited number of common shares is authorized, 276,188,258 of which were outstanding at the end of the first quarter of 2010. Further information on the Company's outstanding share capital is provided in note 12 to the unaudited interim period consolidated financial statements.

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

Dividend Reinvestment Plan ("DRIP") Subsequent to the end of the first quarter of 2010, the Company issued 1,120,453 common shares from treasury under the DRIP at a three percent (3%) discount to market resulting in net cash savings and incremental common share equity to the Company of approximately $41 million (2009 – nil).

Liquidity and Capital Resources

Cash flows used in Operating Activities First quarter cash flows used in operating activities were $210 million in 2010 compared to $356 million in the comparable period in 2009. The decrease in cash flows used in operating activities was primarily due to the increase in operating income and the change in non-cash working capital.

Cash flows from (used in) Investing Activities First quarter cash flows from investing activities were $143 million compared to cash flows used in investing activities of $30 million in the comparable period in 2009. The increase in cash flows from investing activities was primarily due to the change in short term investments, partially offset by an increase in fixed asset purchases and PC Bank's repurchase of $90 million of co-ownership interest in securitized receivables from an independent trust. Capital investment for the first quarter amounted to $148 million (2009 – $123 million). The Company expects to invest approximately $1.0 billion in capital expenditures in 2010.

Cash Flows from Financing Activities First quarter cash flows from financing activities were $13 million in 2010 compared to $282 million in 2009. The decrease was primarily due to changes in short term debt.

Net Debt[1] As at March 27, 2010, net debt[1] was $3,019 million compared to $2,783 million as at January 2, 2010. The increase of $236 million was primarily due to the seasonal increase in operating working capital.

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

Sources of Liquidity

The Company expects that cash and cash equivalents, short term investments, future operating cash flows and the amounts available to be drawn against its credit facility will enable the Company to finance its capital investment program and fund its ongoing business requirements, including working capital, pension plan funding and financial obligations over the next twelve months. In addition, given reasonable access to capital markets, the Company does not foresee any impediments in securing financing to satisfy its long term obligations.

PC Bank participates in bank supported and term securitization programs which provide the primary source of funds for the operation of its business. Under these securitization programs, a portion of the total interest in the credit card receivables is sold to independent trusts. During the first quarter of 2010, PC Bank repurchased $90 million (2009 – nil) of co-ownership interest in securitized receivables from an independent trust. The independent trusts' recourse to PC Bank's assets is limited to PC Bank's excess collateral (March 27, 2010 – $114 million; March 28, 2009 – $124 million; January 2, 2010 – $121 million) as well as standby letters of credit issued (March 27, 2010 – $103 million; March 28, 2009 – $116 million; January 2, 2010 – $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 use its cash and short term investments or raise alternative financing by issuing additional debt or equity instruments. In the first quarter of 2009, one of these independent trusts filed a base shelf prospectus which permits it to issue up to $1.5 billion of notes over a 25 month period. Any issuance of notes is subject to the availability of credit markets.

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

The following table sets out the current credit ratings of the Company:

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

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

The Company's and PC Bank's ability to obtain funding from external sources may be restricted by downgrades in the Company's current credit ratings should the Company's financial performance and condition deteriorate. In addition, credit and capital markets are subject to inherent global risks that may negatively affect the Company's access and ability to fund its financial and other liabilities. The Company mitigates these risks by maintaining appropriate levels of cash and cash equivalents and short term investments, committed lines of credit and diversifying its sources of funding and the maturity profile of its debt and capital obligations.

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

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 as at March 27, 2010 was $395 million (March 28, 2009 – $383 million; January 2, 2010 – $390 million) including $183 million (March 28, 2009 – $153 million; January 2, 2010 – $163 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 not less than 15% (March 28, 2009 – 15%; January 2, 2010 – 15%) of the principal amount of the loans outstanding at any time. As at March 27, 2010, $66 million (March 28, 2009 – $66 million; January 2, 2010 – $66 million) was outstanding as a standby letter of credit. This standby letter of credit has never been drawn upon. This credit enhancement allows the independent funding trust to provide financing to the Company's independent franchisees. As well, each independent franchisee provides security to the independent funding trust for its obligations by way of a general security agreement. In the event that an independent franchisee defaults on its loan and the Company has not, within a specified time period, assumed the loan, or the default is not otherwise remedied, the independent funding trust would assign the loan to the Company and draw upon this standby letter of credit.

On April 30, 2010, the independent funding trust obtained commitments from the existing syndicate of third party lenders to renew and extend the $475 million revolving committed credit facility for a 364 day period, effective May 3, 2010. Terms and conditions will remain substantially the same. The financing structure requires further review to determine if there are implications with respect to the consolidation of the VIEs.

Equity Forward Contracts

As at March 27, 2010, Glenhuron Bank Limited "Glenhuron", a wholly owned subsidiary of the Company, had equity forwards contracts to buy 1.5 million (March 28, 2009 – 4.8 million; January 2, 2010 – 1.5 million) of the Company's common shares at an average forward price of $66.58 (March 28, 2009 – $54.73; January 2, 2010 – $66.25) including $10.36 (March 28, 2009 – $9.86; January 2, 2010 – $10.03) per common share of interest expense. As at March 27, 2010 the interest and unrealized market loss of $42 million (March 28, 2009 – $113 million; January 2, 2010 – $48 million) was included in accounts payable and accrued liabilities.

Employee Future Benefit Contributions

During the first quarter of 2010, the Company contributed $25 million (2009 – $21 million) to its registered funded defined benefit pension plans. The Company expects to contribute $100 million to these plans during 2010. The actual amount paid may vary from the estimate based on actuarial valuations being completed, market performance and regulatory requirements. The Company regularly monitors and assesses plan experience and the impact of changes in participant demographics, changes in capital markets and other economic factors that may impact funding requirements, employee future benefit costs and actuarial assumptions.

Quarterly Results of Operations

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

Summary of Quarterly Results
(unaudited)

($ millions except where otherwise indicated)	**First Quarter** **2010 (12 weeks)**	**2009 (12 weeks)**	Fourth Quarter 2009 (12 weeks)	2008 (13 weeks – restated)	Third Quarter 2009 (16 weeks)	2008 (16 weeks – restated)	Second Quarter 2009 (12 weeks)	2008 (12 weeks – restated)
Sales	**$ 6,926**	**$ 6,718**	$ 7,311	$ 7,745	$ 9,473	$ 9,493	$ 7,233	$ 7,037
Net earnings	**$ 137**	**$ 109**	$ 165	$ 190	$ 189	$ 157	$ 193	$ 140
Net earnings per common share								
Basic ($)	**$ 0.50**	**$ 0.40**	$ 0.60	$ 0.70	$ 0.69	$ 0.57	$ 0.70	$ 0.51
Diluted ($)	**$ 0.49**	**$ 0.40**	$ 0.59	$ 0.70	$ 0.69	$ 0.57	$ 0.70	$ 0.51

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

Internal retail food price inflation decreased throughout each of the last five quarters and was lower than national food price inflation as measured by CPI throughout each of the last eight quarters. In the fourth quarter of 2009 and the first quarter of 2010, the Company experienced internal retail food price deflation. CPI decreased to 0.7% in the first quarter of 2010 from 9.0% in the first quarter of 2009 and increased to 8.4% in the fourth quarter of 2008 from 1.9% in the second quarter of 2008. This measure of inflation does not necessarily reflect the effect of inflation on the specific mix of goods sold in Loblaw stores.

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

Internal Control over Financial Reporting

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

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

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

On January 3, 2010 the Company successfully implemented the first phase of its Enterprise Resource Planning system. This implementation resulted in changes to the internal controls over financial reporting during the first quarter of 2010 for the Company's real estate and financial services divisions. The changes in controls have materially affected the Company's internal controls over financial reporting for these divisions impacting the following key areas: (1) general ledger, (2) accounts payable, (3) accounts receivable, (4) cash management, (5) capital planning, (6) projects management, and (7) fixed assets management. Except for the preceding changes, there was no change in the Company's internal control over financial reporting during the first quarter of 2010 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Enterprise Risks and Risk Management

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

Labour Relations A majority of the Company's store level and distribution centre workforce is unionized. Renegotiating collective agreements may result in work stoppages or slowdowns, which could negatively affect the Company's financial performance, depending on their nature and duration. In 2010, 73 collective agreements affecting approximately 35,000 colleagues will expire including the Company's single largest agreement covering approximately 13,700 colleagues in Ontario. This agreement will expire in July, 2010. The Company has commenced negotiations for the renewal of these agreements. These negotiations are expected to continue through the second quarter of 2010. There can be no assurance as to the outcome of these negotiations or the timing of their completion. The Company will also continue to negotiate the 66 collective agreements carried over from prior years. Although the labour relations leadership team attempts to mitigate work stoppages and disputes through early negotiations, work stoppages or slowdowns remain possible.

Regulatory In April 2010 the Government of Ontario introduced proposed amendments to the regulation of generic prescription drug prices. Under the amendments, prices paid for generic drugs by the Province under Ontario's public drug plan would be reduced by 50% and the current system of drug manufacturers paying professional allowances to pharmacies would be substantially eliminated. The amendments also propose that the prices of generic drugs purchased out-of-pocket or through private employer drug plans would be reduced by more than 50% over the next three years. Although the impact is currently not expected to be material to the financial results or prospects for the Company as a whole, the Company continues to evaluate the potential impact of the proposed amendments on the Company's business and is exploring opportunities to mitigate that impact. It is possible that the amendments in their final form, if enacted, or any other changes introduced to other provincial drug funding plans, could have a material impact on the financial results of the Company.

Future Accounting Standards

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

International Financial Reporting Standards

The Canadian Accounting Standards Board 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.

Project Status

A detailed description of the Company's IFRS project structure and status is included in section 13.3 "International Financial Reporting Standards" on page 33 of the 2009 MD&A included in the Company's 2009 Annual Report – Financial Review. The IFRS conversion project is progressing according to the plan as outlined, and no significant changes have been made.
The information below is provided as an update to allow investors and others to obtain a better understanding of the possible effects on the Company's consolidated financial statements and operating performance measures. Readers are cautioned, however, that it may not be appropriate to use such information for any other purpose and the information is subject to change.

Changes in Accounting Policies and First-Time Adoption of IFRS

The Company continues to assess the aggregate effect of adopting IFRS, and the relevant changes in accounting policies. The changes identified below should not be regarded as a complete list of changes that will result from the transition to IFRS as it is intended to highlight those areas where significant progress has been made and that are believed to be most significant at this point in the project. The International Accounting Standards Board has significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's consolidated financial statements. Therefore, the Company's analysis of changes and accounting policy decisions have been made based on the accounting standards that are currently effective.

The adoption of IFRS will require the application of IFRS 1, "First Time Adoption of IFRS" ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of all IFRS effective at the reporting date, with the exception of certain mandatory exceptions and limited optional exemptions provided in the standard.

The Company is currently assessing the quantitative impact of the transitional adjustments on the consolidated financial statements as a result of changes in accounting policies as well as the certain IFRS 1 exceptions and exemptions, and provided preliminary indication as to the impact of certain standards, elections and exemptions in the 2009 MD&A. As further impacts are determined throughout 2010, updates to this information will be provided, including the following updates that were determined in the first quarter:

Securitization of Receivables International Accounting Standard ("IAS") 39, "Financial Instruments: Recognition and Measurement", contains criteria that are different from Canadian GAAP for the derecognition of financial assets and requires an evaluation of the extent to which an entity retains the risks and rewards of ownership. Under Canadian GAAP these financial assets qualify for sale treatment. The Company has determined that under IFRS certain securitized credit card receivables will not qualify for derecognition. The Company expects to record, upon implementation of IFRS, an increase in credit card receivables of approximately $1.2 billion before the provision for loan losses.

Under IAS 27, "Consolidated and Separate Financial Statements" and Standing Interpretations Committee 12, "Consolidation – Special Purpose Entities" consolidation is assessed using a control model. Under IFRS, Eagle Credit Card Trust, the independent trust that funds the purchase of asset interests from PC Bank through the issuance of notes, will be consolidated resulting in an increase of approximately $500 million of credit card receivables before the provision for loan losses.

Employee Benefits IAS 19 "Employee Benefits" provides a policy choice regarding recognition of actuarial gains and losses for defined benefit pension plans and post retirement benefit plans, permitting deferred recognition using the corridor method or immediate recognition in either equity or through earnings. Under Canadian GAAP the Company applies the corridor method. Upon adoption of IFRS the Company currently intends to recognize actuarial gains and losses immediately through equity for defined benefit pension plans and post retirement benefit plans and through earnings for post employment and long term disability benefit plans.

In addition, IFRS 1 provides an optional election, which the Company expects to apply, that will result in the recognition of all cumulative actuarial gains and losses through retained earnings on transition to IFRS. The Company's choice must be applied to all defined benefit pension plans and other benefit plans consistently. As a result of this election the Company expects to write-off the unamortized net actuarial loss recorded in the January 2, 2010 Canadian GAAP consolidated balance sheet to retained earnings on transition to IFRS.

Outlook[(1)]

The Company remains on track with its renewal program and continues to be focused on driving sustainable performance. Significant investments in information technology and supply chain are planned for the two remaining years of the Company's five year turnaround plan. As previously announced, the Company expects these investments to negatively impact 2010 operating income by approximately $185 million over 2009.

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.

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

Non-GAAP Financial Measures

The Company uses the following non-GAAP financial measures: EBITDA and EBITDA margin, net debt, rolling year net debt to EBITDA, net debt to equity and rolling year return on average net assets. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below. These measures do not have a standardized meaning prescribed by Canadian GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies, and should not be construed as an alternative to other financial measures determined in accordance with Canadian GAAP.

EBITDA and EBITDA Margin The following table reconciles earnings before minority interest, income taxes, interest expense, depreciation and amortization ("EBITDA") to operating income, which is reconciled to Canadian GAAP net earnings measures reported in the unaudited interim period consolidated statements of earnings for the twelve week periods ended March 27, 2010 and March 28, 2009. EBITDA is useful to management in assessing the performance of the Company's ongoing operations and its ability to generate cash flows to fund cash requirements, including the Company's capital investment program.

EBITDA margin is calculated as EBITDA divided by sales.

($ millions)	**2010 (12 weeks)**	2009 (12 weeks)
Net earnings	**$ 137**	$ 109
Add (deduct) impact of the following:		
Minority interest	**(4)**	(5)
Income taxes	**59**	61
Interest expense and other financing charges	**68**	61
Operating income	**260**	226
Add impact of the following:		
Depreciation and amortization	**152**	132
EBITDA	**$ 412**	$ 358

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

($ millions)	As at March 27, 2010	As at March 28, 2009	As at January 2, 2010
Bank indebtedness	**$ 1**	$ 77	$ 2
Short term debt	**–**	574	–
Long term debt due within one year	**698**	39	343
Long term debt	**3,820**	4,079	4,162
Other liabilities	**36**	–	36
Fair value of financial derivatives related to the above	**57**	72	58
	4,612	4,841	4,601
Less: Cash and cash equivalents	**928**	438	993
Short term investments	**274**	319	397
Security deposits included in other assets	**189**	472	250
Fair value of financial derivatives related to the above	**202**	26	178
	1,593	1,255	1,818
Net debt	**$ 3,019**	$ 3,586	$ 2,783

The Second Preferred Shares, Series A are classified as capital securities and are excluded from the calculation of net debt. For the purpose of calculating net debt, fair value of financial derivatives is not credit value adjusted in accordance with EIC 173. As at March 27, 2010, the credit value adjustment was a loss of $3 million (March 28, 2009 – $5 million; January 2, 2010 – $4 million).

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

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

($ millions)	As at March 27, 2010	As at March 28, 2009	As at January 2, 2010
Canadian GAAP total assets	**$ 14,765**	$ 13,814	$ 14,991
Less: Cash and cash equivalents	**928**	438	993
Short term investments	**274**	319	397
Security deposits included in other assets	**189**	472	250
Accounts payable and accrued liabilities	**2,995**	2,391	3,279
Net assets	**$ 10,379**	$ 10,194	$ 10,072

Equity

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

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

($ millions)	As at March 27, 2010	As at March 28, 2009	As at January 2, 2010
Capital securities	**$ 220**	$ 219	$ 220
Shareholders' equity	**6,347**	5,841	6,273
Equity	**$ 6,567**	$ 6,060	$ 6,493

Consolidated Statements of Earnings

(unaudited)

For the periods ended March 27, 2010 and March 28, 2009 ($ millions except where otherwise indicated)	2010 (12 weeks)	2009 (12 weeks)
Sales	$ 6,926	$ 6,718
Cost of Merchandise Inventories Sold (note 9)	5,206	5,104
Gross Profit	1,720	1,614
Operating Expenses		
Selling and administrative expenses	1,308	1,256
Depreciation and amortization	152	132
	1,460	1,388
Operating Income	260	226
Interest expense and other financing charges (note 4)	68	61
Earnings before Income Taxes and Minority Interest	192	165
Income taxes (note 5)	59	61
Net Earnings before Minority Interest	133	104
Minority interest	(4)	(5)
Net Earnings	$ 137	$ 109
Net Earnings Per Common Share ($) (note 6)		
Basic	$ 0.50	$ 0.40
Diluted	$ 0.49	$ 0.40

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

Consolidated Statements of Changes in Shareholders' Equity
(unaudited)

For the periods ended March 27, 2010 and March 28, 2009 ($ millions except where otherwise indicated)	**2010** **(12 weeks)**	2009 (12 weeks)
Common Share Capital, Beginning and End of Period	**$ 1,308**	$ 1,196
Retained Earnings, Beginning of Period	**$ 4,948**	$ 4,577
Cumulative impact of implementing new accounting standards (note 2)	**–**	(6)
Net earnings	**137**	109
Dividends declared per common share – 21¢ (2009 – 21¢)	**(58)**	(58)
Retained Earnings, End of Period	**$ 5,027**	$ 4,622
Accumulated Other Comprehensive Income, Beginning of Period	**$ 17**	$ 30
Cumulative impact of implementing new accounting standards (note 2)	**–**	(2)
Other comprehensive loss	**(5)**	(5)
Accumulated Other Comprehensive Income, End of Period (note 14)	**$ 12**	$ 23
Total Shareholders' Equity	**$ 6,347**	$ 5,841

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

Consolidated Statements of Comprehensive Income
(unaudited)

For the periods ended March 27, 2010 and March 28, 2009 ($ millions)	**2010** **(12 weeks)**	2009 (12 weeks)
Net earnings	**$ 137**	$ 109
Other comprehensive income, net of income taxes		
Net unrealized (loss) gain on available-for-sale financial assets	**(4)**	7
Reclassification of net loss (gain) on available-for-sale financial assets to net earnings	**4**	(14)
	–	(7)
Net loss on derivatives designated as cash flow hedges	**(2)**	(3)
Reclassification of net (gain) loss on derivatives designated as cash flow hedges to net earnings	**(3)**	5
	(5)	2
Other comprehensive loss	**(5)**	(5)
Total Comprehensive Income	**$ 132**	$ 104

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

Consolidated Balance Sheets

($ millions)	As at March 27, 2010 (unaudited)	As at March 28, 2009 (unaudited)	As at January 2, 2010 (audited)
Assets			
Current Assets			
Cash and cash equivalents (note 7)	**$ 928**	$ 438	$ 993
Short term investments	**274**	319	397
Accounts receivable (note 8)	**678**	620	774
Inventories (note 9)	**2,150**	2,242	2,112
Income taxes	**–**	78	–
Future income taxes	**42**	34	38
Prepaid expenses and other assets	**132**	71	92
Total Current Assets	**4,204**	3,802	4,406
Fixed Assets	**8,549**	8,051	8,559
Goodwill and Intangible Assets	**1,022**	818	1,026
Other Assets	**990**	1,143	1,000
Total Assets	**$ 14,765**	$ 13,814	$ 14,991
Liabilities			
Current Liabilities			
Bank indebtedness	**$ 1**	$ 77	$ 2
Short term debt	**–**	574	–
Accounts payable and accrued liabilities	**2,995**	2,391	3,279
Income taxes payable	**34**	–	41
Long term debt due within one year	**698**	39	343
Total Current Liabilities	**3,728**	3,081	3,665
Long Term Debt	**3,820**	4,079	4,162
Other Liabilities	**510**	431	497
Future Income Taxes	**113**	148	143
Capital Securities	**220**	219	220
Minority Interest	**27**	15	31
Total Liabilities	**8,418**	7,973	8,718
Shareholders' Equity			
Common Share Capital	**1,308**	1,196	1,308
Retained Earnings	**5,027**	4,622	4,948
Accumulated Other Comprehensive Income (note 14)	**12**	23	17
Total Shareholders' Equity	**6,347**	5,841	6,273
Total Liabilities and Shareholders' Equity	**$ 14,765**	$ 13,814	$ 14,991

Contingencies, commitments and guarantees (note 15).

Subsequent event (note 16).

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

Consolidated Cash Flow Statements
(unaudited)

For the periods ended March 27, 2010 and March 28, 2009 ($ millions)	**2010** **(12 weeks)**	2009 (12 weeks)
Operating Activities		
Net earnings before minority interest	**$ 133**	$ 104
Depreciation and amortization	**152**	132
Future income taxes	**(34)**	6
Change in non-cash working capital	**(470)**	(584)
Other	**9**	(14)
Cash Flows used in Operating Activities	**(210)**	(356)
Investing Activities		
Fixed asset purchases	**(148)**	(123)
Short term investments	**114**	(89)
Proceeds from fixed asset sales	**13**	5
Credit card receivables, after securitization (note 8)	**133**	229
Franchise investments and other receivables	**1**	(17)
Other	**30**	(35)
Cash Flows from (used in) Investing Activities	**143**	(30)
Financing Activities		
Bank indebtedness	**(1)**	25
Short term debt	**–**	384
Long term debt		
Issued	**25**	8
Retired (note 11)	**(11)**	(135)
Cash Flows from Financing Activities	**13**	282
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(11)**	14
Change in Cash and Cash Equivalents	**(65)**	(90)
Cash and Cash Equivalents, Beginning of Period	**993**	528
Cash and Cash Equivalents, End of Period	**$ 928**	$ 438

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

Notes to the Unaudited Interim Period Consolidated Financial Statements

($ millions except where otherwise indicated)

Note 1. Summary of Significant Accounting Principles

Basis of Presentation The unaudited interim period consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and follow the same accounting policies and methods of application as those used in the preparation of the 2009 audited annual consolidated financial statements and related notes for the year ended January 2, 2010 contained in the Annual Report – Financial Review ("2009 Annual Report"). Under Canadian GAAP, additional disclosure is required in annual financial statements and accordingly the unaudited interim period consolidated financial statements should be read together with the audited annual consolidated financial statements and the accompanying notes included in the Loblaw Companies Limited 2009 Annual Report.

Basis of Consolidation The unaudited consolidated interim financial statements include the accounts of Loblaw Companies Limited and its subsidiaries, collectively referred to as the "Company" 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.

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

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

Certain estimates, such as those related to valuation of inventories, goodwill and intangible assets, income taxes, fixed asset impairment and employee future benefits, depend upon subjective or complex judgments about matters that may be uncertain, and changes in those estimates could materially impact the consolidated financial statements. Illiquid credit markets, volatile equity, foreign currency, energy markets and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Future Accounting Standards

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

Note 2. Implementation of New Accounting Standards

Accounting Standards Implemented in 2009

Goodwill and Intangible Assets In November 2007, the CICA issued amendments to Section 1000 “Financial Statement Concepts”, and Accounting Guideline 11 “Enterprises in the Development Stage”, issued a new Handbook Section 3064 “Goodwill and Intangible Assets” (“Section 3064”) to replace Section 3062 “Goodwill and Other Intangible Assets”, withdrew Section 3450 “Research and Development Costs” and amended 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 2009, retroactively with restatement of comparative periods.

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

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

Note 3. Business Acquisitions

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

Note 4. Interest Expense and Other Financing Charges

($ millions)	**2010 (12 weeks)**	2009 (12 weeks)
Interest on long term debt	**$ 69**	$ 63
Interest expense on financial derivative instruments	**2**	1
Net short term interest income	**(1)**	–
Interest income on security deposits	**–**	(1)
Dividends on capital securities	**3**	3
Capitalized to fixed assets	**(5)**	(5)
Interest expense	**$ 68**	$ 61

Interest and dividends on capital securities paid in the first quarter of 2010 was $71 (2009 – $84), and interest received was $9 (2009 − $21).

Note 5. Income Taxes

The effective income tax rate in the first quarter of 2010 decreased to 30.7% compared to 37.0% in the first quarter of 2009 primarily due to a change in the proportion of taxable income earned across different tax jurisdictions and the net impact of non-deductible and non-taxable amounts.

Net income taxes paid in the first quarter were $100 (2009 – $100).

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

	2010 (12 weeks)	2009 (12 weeks)
Net earnings ($ millions)	**$ 137**	$ 109
Dividends on capital securities ($ millions)	**3**	3
Net earnings for diluted earnings per share ($ millions)	**140**	112
Weighted average common shares outstanding (in millions)	**276.2**	274.2
Dilutive effect of stock-based compensation (in millions)	**0.5**	–
Dilutive effect of capital securities (in millions)	**6.2**	7.6
Dilutive effect of dividend reinvestment plan (in millions)	**0.5**	–
Dilutive effect of certain other liabilities (in millions)	**0.9**	–
Diluted weighted average common shares outstanding (in millions)	**284.3**	281.8
Basic net earnings per common share ($)	**$ 0.50**	$ 0.40
Diluted net earnings per common share ($)	**$ 0.49**	$ 0.40

Stock options outstanding with an exercise price greater than the market price of the Company's common shares at the end of the first quarter were not recognized in the computation of diluted net earnings per common share. Accordingly, in the first quarter of 2010, 2,835,620 (2009 – 4,581,412) stock options, with a weighted average exercise price of $52.99 (2009 – $52.69) per common share, were excluded from the computation of diluted net earnings per common share.

Note 7. Cash and Cash Equivalents

The components of cash and cash equivalents were as follows:

	As at March 27, 2010	As at March 28, 2009	As at January 2, 2010
Cash	**$ 74**	$ 38	$ 219
Cash equivalents − short term investments with a maturity of 90 days or less:			
Bank term deposits	**367**	–	385
Government treasury bills	**282**	156	168
Government-sponsored debt securities	**92**	82	40
Corporate commercial paper	**113**	162	181
Cash and cash equivalents	**$ 928**	$ 438	$ 993

In the first quarter of 2010, the Company recognized an unrealized foreign currency exchange loss of $25 (2009 − gain of $29) as a result of translating United States dollar denominated cash and cash equivalents, short term investments and security deposits, of which a loss of $11 (2009 − gain of $14) related to cash and cash equivalents. The resulting loss (2009 – gain) on cash and cash equivalents, short term investments and security deposits was partially offset in operating income and other comprehensive income by the unrealized foreign currency exchange gain of $25 (2009 – loss of $28) on the cross currency swaps.

Note 8. Accounts Receivable

The components of accounts receivable were as follows:

($ millions)	**As at March 27, 2010**	As at March 28, 2009	As at January 2, 2010
Credit card receivables	**$ 1,901**	$ 1,974	$ 2,128
Amount securitized	**(1,635)**	(1,775)	(1,725)
Net credit card receivables	**266**	199	403
Other receivables	**412**	421	371
Accounts receivable	**$ 678**	$ 620	$ 774

Credit Card Receivables From time to time, President's Choice Bank ("PC Bank"), a wholly owned subsidiary of the Company, securitizes certain credit card receivables by selling them to independent trusts that issue interest bearing securities. During the first quarter of 2010, PC Bank repurchased $90 (2009 – nil) of the co-ownership interest in securitized receivables from an independent trust. 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 excess collateral as well as a standby letter of credit for $103 (March 28, 2009 – $116; January 2, 2010 – $116) on a portion of the securitized amount.

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

Note 9. Inventories

For inventories recorded as at March 27, 2010, the Company recorded $9 (March 28, 2009 – $11) as an expense for the write-down of inventories below cost to net realizable value.

Note 10. Employee Future Benefits

The Company's total net benefit plan cost recognized in operating income was $45 (2009 – $44) for the first quarter. The total net benefit plan cost included costs for the Company's defined benefit pension and other benefit plans, defined contribution pension plans and multi-employer pension plans.

Note 11. Long Term Debt

As at March 27, 2010, $308 (USD $300) of fixed rate notes was recorded in long term debt on the consolidated balance sheet.

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

Note 12. Share Capital ($, except where otherwise indicated)

At the end of the first quarter of 2010, the Company's outstanding common share capital was comprised of common shares, an unlimited number of which were authorized and 276,188,258 (March 28, 2009 – 274,173,564; January 2, 2010 – 276,188,258) were issued and outstanding.

Dividends During the first quarter of 2010, the Board of Directors declared dividends of $0.21 (2009 – $0.21) per common share with a payment date of April 1, 2010. In addition, during the first quarter of 2010 dividends of $0.37 (2009 – $0.37) per Second Preferred Share, Series A were declared with a payment date of April 30, 2010. For financial statement presentation purposes, second preferred share dividends of $3 million (2009 – $3 million) are included as a component of interest expense and other financing charges on the Consolidated Statement of Earnings (see note 4). Subsequent to the end of the first quarter, the Board of Directors declared a quarterly dividend of $0.21 per common share payable July 1, 2010, and $0.37 per Second Preferred Share, Series A, payable July 31, 2010.

Dividend Reinvestment Plan ("DRIP") Subsequent to the first quarter of 2010, the Company issued 1,120,453 (2009 – nil) common shares from treasury under the DRIP at a three percent (3%) discount to market resulting in an increase in common share capital of $41 (2009 – nil).

Normal Course Issuer Bid ("NCIB") The Company did not purchase any shares under its NCIB during the first quarter of 2010. Subsequent to the first quarter of 2010, Loblaw renewed its NCIB to purchase on the Toronto Stock Exchange, or enter into equity derivatives to purchase, up to 13,865,435 of Company's common shares, representing approximately 5% of the common shares outstanding. In accordance with the rules and by-laws of the Toronto Stock Exchange, Loblaw may purchase its shares at the then market price of such shares.

Note 13. Stock-Based Compensation ($, except where otherwise indicated)

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

($ millions)	**March 27, 2010 (12 weeks)**	March 28, 2009 (12 weeks)
Stock option plan expense (income)	**$ 13**	$ (1)
Equity forwards (income) loss	**(6)**	19
Restricted share unit plan expense	**2**	1
Net stock-based compensation cost	**$ 9**	$ 19

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

Number of options	**March 27, 2010 (12 weeks)**	March 28, 2009 (12 weeks)
Outstanding options, beginning of period	**9,207,816**	7,892,660
Granted	**2,478,570**	2,640,846
Exercised	**(299,780)**	(9,652)
Forfeited/cancelled	**(1,551,343)**	(324,600)
Outstanding options, end of period	**9,835,263**	10,199,254
Share appreciation value paid ($ millions)	**$ 2**	$ –

Stock options were granted in the first quarter of 2010 at an exercise price of $36.35 (2009 – $30.99).

At the end of the first quarter of 2010, the outstanding stock options represented approximately 3.6% (2009 – 3.7%) of the Company's issued and outstanding common shares, which was within the Company's guideline of 5%. The Company's market price per common share at the end of the first quarter was $38.23 (2009 − $31.12).

Equity Forward Contracts As at March 27, 2010, Glenhuron had equity forward contracts to buy 1.5 million (March 28, 2009 – 4.8 million; January 2, 2010 – 1.5 million) of the Company's common shares at an average forward price of $66.58 (March 28, 2009 – $54.73; January 2, 2010 – $66.25) including $10.36 (March 28, 2009 – $9.86; January 2, 2010 – $10.03) per common share of interest expense. As at March 27, 2010, the interest and unrealized market loss of $42 million (March 28, 2009 – $113 million; January 2, 2010 – $48 million) was included in accounts payable and accrued liabilities.

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

Number of Awards	**March 27, 2010 (12 weeks)**	March 28, 2009 (12 weeks)
RSUs, beginning of period	**973,351**	829,399
Granted	**371,256**	425,093
Cancelled	**(83,005)**	(18,022)
Cash settled	**(163,692)**	(182,314)
RSUs, end of period	**1,097,910**	1,054,156
RSUs Cash Settled ($ millions)	**$ 6**	$ 6

Note 14. Accumulated Other Comprehensive Income

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

	12 weeks ended					
	March 27, 2010			March 28, 2009		
($ millions)	**Cash Flow Hedges**	**Available-for-sale Assets**	**Total**	Cash Flow Hedges	Available-for-sale Assets	Total
Balance, beginning of period	**$ 22**	**$ (5)**	**$ 17**	$ 14	$ 16	$ 30
Cumulative impact of implementing new accounting standards [net of income taxes recovered of $nil (2009 − $1)] (see note 2)	**–**	**–**	**–**	(2)	–	(2)
Net unrealized (loss) gain on available-for-sale financial assets [net of income taxes of $nil (2009− nil)]	**–**	**(4)**	**(4)**	–	7	7
Reclassification of net loss (gain) on available-for-sale financial assets [net of income taxes of $nil (2009 − nil)]	**–**	**4**	**4**	–	(14)	(14)
Net loss on derivatives designated as cash flow hedges [net of income taxes recovered of $1 (2009 – income taxes of $1)]	**(2)**	**–**	**(2)**	(3)	–	(3)
Reclassification of net (gain) loss on derivatives designated as cash flow hedges [net of income taxes recovered of $1 (2009 – income taxes of $3)]	**(3)**	**–**	**(3)**	5	–	5
Balance, end of period	**$ 17**	**$ (5)**	**$ 12**	$ 14	$ 9	$ 23

Note 15. Contingencies, Commitments and Guarantees

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

The gross principal amount of loans issued to the Company's independent franchisees outstanding as at March 27, 2010 was $395 (March 28, 2009 – $383; January 2, 2010 – $390) including $183 (March 28, 2009 – $153; January 2, 2010 – $163) 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% (March 28, 2009 – 15%; January 2, 2010 − 15%) of the principal amount of the loans outstanding at any point in time, $66 (March 28, 2009 – $66; January 2, 2010 − $66) as at March 27, 2010. The standby letter of credit has not been drawn upon.

On April 30, 2010, the independent funding trust obtained commitments from the existing syndicate of third party lenders to renew and extend the $475 revolving committed credit facility for a 364 day period, effective May 3, 2010. Terms and conditions will remain substantially the same. The financing structure requires further review to determine if there are implications with respect to the consolidation of VIEs.

Standby Letters of Credit Standby letters of credit for the benefit of independent trusts with respect to the credit card receivables securitization program of PC Bank have been issued by major Canadian chartered banks. These standby letters of credit could be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables. The Company has agreed to reimburse the issuing banks for any amount drawn on the standby letters of credit. The aggregate gross potential liability under these arrangements, which represents 9% (March 28, 2009 – 9%; January 2, 2010 – 9%) on a portion of the securitized credit card receivables amount, is approximately $103 (March 28, 2009 – $116; January 2, 2010 – $116) (see note 8).

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

Note 16. Subsequent Event

On April 22, 2010, the Company announced changes to its distribution network. A charge of approximately $30 to $40 is expected to be incurred in connection with the closure of a facility.

Earnings Coverage Exhibit to the Unaudited Interim Consolidated Financial Statements

The following is the Company's updated earnings coverage ratio for the rolling 52 week period ended March 27, 2010 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)	4.12 times

The earnings coverage ratio on long term debt (including any current portion) and capital securities is equal to net earnings 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.

Corporate Profile

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

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

Trademarks

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

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 Kim Lee, Senior Director, Investor Relations at the Company's National Head Office or by e-mail at investor@loblaw.ca.

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

Annual Meeting

The 2010 Annual Meeting of Shareholders of Loblaw Companies Limited will be held on Wednesday, May 5, 2010 at 11:00am (EST) at the Metro Toronto Convention Centre, South Building, Meeting Room 701, 222 Bremner Boulevard, Toronto, Ontario, Canada.

To access via tele-conference, please dial (647) 427-7450. The playback will be available two hours after the event at (416) 849-0833, passcode: 65621057. To access via audio webcast please visit the "Investor Zone" section of www.loblaw.ca. Pre-registration will be available.

Dividend Reinvestment Program

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

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

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

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

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

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

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on May 4, 2010 at 11:00am (EST).

To access via tele-conference, please dial (647) 427-7450. The playback will be made available two hours after the event at (416) 849-0833, passcode: 65611091. To access via audio webcast please visit the "Investor Zone" section of www.loblaw.ca. Pre-registration will be available.

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

Ce rapport est disponible en français.

This report was printed in Canada on recycled paper

This page has been left blank intentionally.

This page has been left blank intentionally.

This page has been left blank intentionally.

Trading for today while building for tomorrow

Ce rapport est disponible en français.