

NEWS RELEASE

Loblaw Companies Limited Reports 2011 Fourth Quarter and Fiscal Year Ended December 31, 2011 Results⁽¹⁾

BRAMPTON, ONTARIO February 23, 2012 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") today announced its unaudited financial results for the fourth quarter of 2011 and the release of its 2011 Annual Report, which includes the Company's audited consolidated financial statements and Management's Discussion and Analysis for the fiscal year ended December 31, 2011. The Company's 2011 Annual Report will be available in the Investor Centre section of the Company's website at www.loblaw.ca and will be filed with SEDAR and available at www.sedar.com.

Fourth Quarter 2011 Summary⁽¹⁾

- Basic net earnings per common share of \$0.62, up 5.1% compared to the fourth quarter of 2010.
- EBITDA margin⁽²⁾ of 6.6% compared to 6.7% in the fourth quarter of 2010.
- Revenue of \$7,373 million, an increase of 3.6% over the fourth quarter of 2010.
- Retail sales growth of 3.2% and same-store sales growth of 2.5%, positively impacted by an extra day of store operations compared to the fourth quarter of 2010.

"We are pleased with our performance in the fourth quarter and the year. The ongoing strengthening of our customer proposition delivered improved sales at satisfactory margins, particularly in the second half of the year," said Galen G. Weston, Executive Chairman, Loblaw Companies Limited. "Looking ahead to 2012, we estimate incremental costs related to investments in information technology and supply chain to be approximately \$70 million, and the continuation of investments in our customer proposition to be approximately \$40 million. We do not expect our operations to cover these incremental costs, and as a result, we anticipate full-year 2012 net earnings per share to be down year-over-year, with more pressure in the first half of the year."

Due to the transition to International Financial Reporting Standards ("IFRS" or "GAAP") effective January 2, 2011, all comparative figures for 2010 that were previously reported in the consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles ("CGAAP") have been restated to conform with IFRS. Further information on the transition to IFRS and its impact on the Company's financial position, financial performance and cash flows is included in note 31 of the Company's 2011 Annual Report – Financial Review.

With this transition, the Company has two reportable operating segments:

- The **Retail** segment, which consists primarily of food and also includes drugstore, gas bars, apparel and other general merchandise; and
- The **Financial Services** segment, which includes credit card services, a retail loyalty program, insurance brokerage services, personal banking services provided by a major Canadian chartered bank, deposit taking services and telecommunication services.

(1) This News Release contains forward-looking information. See Forward-Looking Statements on page 5 of this News Release for a discussion of material factors that could cause actual results to differ materially from the conclusions, forecasts and projections herein and of the material factors and assumptions that were used when making these statements. This News Release should 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 sedar.com and at loblaw.ca.

(2) See Non-GAAP Financial Measures on page 10 of this News Release.

Consolidated Quarterly Results of Operations

For the periods ended December 31, 2011 and January 1, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)								
	2011 (12 weeks)	2010 (12 weeks)	\$ Change	% Change	2011 (52 weeks)	2010 (52 weeks)	\$ Change	% Change
Revenue	\$ 7,373	\$ 7,119	\$ 254	3.6%	\$ 31,250	\$ 30,836	\$ 414	1.3%
Operating income	315	324	(9)	(2.8%)	1,384	1,347	37	2.7%
Net earnings	174	165	9	5.5%	769	675	94	13.9%
Basic net earnings per common share (\$)	0.62	0.59	0.03	5.1%	2.73	2.43	0.30	12.3%
Operating margin	4.3%	4.6%			4.4%	4.4%		
EBITDA ⁽¹⁾	\$ 485	\$ 476	\$ 9	1.9%	\$ 2,083	\$ 1,975	\$ 108	5.5%
EBITDA margin ⁽¹⁾	6.6%	6.7%			6.7%	6.4%		

- The \$254 million increase in revenue compared to the fourth quarter of 2010 was driven by improvements in both Retail sales and Financial Services revenue, as described below.
- Operating income decreased by \$9 million compared to the fourth quarter of 2010 as a result of a decrease in Retail operating income of \$6 million and a decrease in Financial Services operating income of \$3 million. Operating margin was 4.3% for the fourth quarter of 2011 compared to 4.6% in the same quarter in 2010.
- Consolidated operating income included the following notable items:
 - A \$23 million charge (2010 – nil) related to the transition of certain Ontario conventional stores to more cost effective and efficient operating terms of collective agreements ratified in 2010;
 - Incremental costs of \$22 million related to investments in information technology (“IT”) and supply chain. These costs included the following charges:
 - \$43 million (2010 – \$34 million) related to depreciation and amortization;
 - \$74 million (2010 – \$60 million) related to other supply chain and IT costs; and
 - A nil charge (2010 – \$1 million) related to changes in the distribution network.
 - \$16 million (2010 - nil) of start-up costs associated with the launch of the Company’s *Joe Fresh* brand in the United States;
 - A \$5 million charge (2010 – \$7 million recovery) for fixed asset impairments net of recoveries, related to asset carrying values in excess of recoverable amounts for specific retail locations; and
 - A charge of \$4 million (2010 – \$7 million) related to the effect of share-based compensation net of equity forwards.
- The increase in net earnings of \$9 million, or 5.5%, compared to the fourth quarter of 2010 was primarily due to a decrease in net interest expense and other financing charges and a decline in the effective income tax rate, partially offset by the decrease in operating income. In the fourth quarter of 2010, the Company recognized a tax expense of \$14 million related to changes in the federal tax legislation that resulted in the elimination of the Company’s ability to deduct costs associated with cash-settled stock options.
- Basic net earnings per common share were impacted by the following
 - A \$0.06 charge (2010 – nil) related to the transition of certain Ontario conventional stores to the operating terms under collective agreements ratified in 2010;
 - A \$0.06 charge related to incremental investments in IT and supply chain;
 - A \$0.04 charge (2010 – nil) related to the start-up costs associated with the launch of the Company’s *Joe Fresh* brand in the United States;
 - A \$0.01 charge (2010 – \$0.02 recovery) for fixed asset impairments net of recoveries;
 - A \$0.01 charge (2010 – \$0.02) related to the effect of share-based compensation net of equity forwards; and
 - A nil charge (2010 – \$0.05) related to the tax expense recognized due to changes in federal tax legislation related to share-based compensation.

(1) See Non-GAAP Financial Measures on page 10 of this News Release.

- In 2011, the Company invested \$1.0 billion in capital expenditures with approximately 50% invested in its IT and supply chain infrastructure and the remaining 50% invested in its retail operations.

The consolidated quarterly results by reportable operating segments were as follows:

Retail Results of Operations

For the periods ended December 31, 2011 and January 1, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	2011 (12 weeks)	2010 (12 weeks)	\$ Change	% Change	2011 (52 weeks)	2010 (52 weeks)	\$ Change	% Change
Sales	\$ 7,226	\$ 7,001	\$ 225	3.2%	\$ 30,703	\$ 30,315	\$ 388	1.3%
Gross profit	1,569	1,583	(14)	(0.9%)	6,820	6,787	33	0.5%
Operating income	297	303	(6)	(2.0%)	1,312	1,239	73	5.9%
Same-store sales growth (decline)	2.5%	(1.6%)			0.9%	(0.6%)		
Gross profit percentage	21.7%	22.6%			22.2%	22.4%		
Operating margin	4.1%	4.3%			4.3%	4.1%		

- In the fourth quarter of 2011, the increase of \$225 million, or 3.2%, in Retail sales over the same period in the prior year was impacted by the following factors:
 - Same-store sales growth was 2.5% (2010 – 1.6% decline), with an extra day of store operations having a positive impact estimated to be between 0.8% and 1.0%;
 - Sales growth in food was strong, partially driven by the extra day of store operations;
 - Sales growth in drugstore was flat;
 - Gas bar sales growth was strong as a result of higher retail gas prices and moderate volume growth;
 - Sales in general merchandise, excluding apparel, declined marginally due to continued reductions in square footage and optimization of range and assortment of products;
 - Sales growth in apparel was strong, partially driven by increased apparel square footage, including five new *Joe Fresh* free standing stores; and
 - The Company experienced moderate average quarterly internal food price inflation during the fourth quarter of 2011, which was lower than the average quarterly national food price inflation of 5.2% (2010 – 1.5%) 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.
- In the fourth quarter of 2011 the gross profit percentage was 21.7%, consistent with the third quarter of 2011, but a decline from 22.6% in the fourth quarter of 2010. The decline was primarily driven by a higher level of promotional activity and higher input costs outpacing internal food price inflation, a higher proportion of lower margin gas bar sales and increased transportation costs, partially offset by improved shrink. The \$14 million decrease in gross profit was mainly due to increases in promotional pricing programs and transportation costs, partially offset by improved control brand profitability, improved shrink and the growth and performance of the Company’s franchise business.
- Operating income decreased by \$6 million compared to the fourth quarter of 2010 and operating margin was 4.1% for the fourth quarter of 2011 compared to 4.3% in the same period in 2010. In addition to the notable items described in the “Consolidated Quarterly Results of Operations” above, these decreases were also driven by the decline in gross profit, partially offset by improvements in the growth and performance of the Company’s franchisees and continued labour, supply chain and other operating cost efficiencies.

Financial Services Results of Operations

For the periods ended December 31, 2011 and January 1, 2011 (unaudited)
(millions of Canadian dollars except where otherwise indicated)

	2011 (12 weeks)	2010 (12 weeks)	\$ Change	% Change	2011 (52 weeks)	2010 (52 weeks)	\$ Change	% Change
Revenue	\$ 147	\$ 118	\$ 29	24.6%	\$ 547	\$ 521	\$ 26	5.0%
Operating income	18	21	(3)	(14.3%)	72	108	(36)	(33.3%)
Earnings before income taxes	7	11	(4)	(36.4%)	24	66	(42)	(63.6%)

Unaudited (millions of Canadian dollars except where otherwise indicated)	As at December 31, 2011	As at January 1, 2011	\$ Change	% Change
Average quarterly net credit card receivables	\$ 1,974	\$ 1,941	\$ 33	1.7%
Credit card receivables	2,101	1,997	104	5.2%
Credit card receivables provision	37	34	3	8.8%
Annualized yield on average quarterly gross credit card receivables	12.5%	13.2%		
Annualized credit loss rate on average quarterly gross credit card receivables	4.2%	5.6%		

- The 24.6% increase in revenue over the fourth quarter of 2010 was driven by increased credit card transaction values resulting in higher interchange fee income and higher *PC Telecom* revenues as a result of the launch of the new Mobile Shop kiosks in the fourth quarter.
- The decreases of \$3 million in operating income and \$4 million in earnings before income taxes compared to the fourth quarter of 2010 were attributable to investments in the launch of *PC Telecom*'s Mobile Shop kiosks and an increased credit card loss provision as a result of quarterly growth in the receivables program, partially offset by the increase in interchange fee income.

Outlook⁽¹⁾

- For fiscal 2012, the Company expects:
 - Capital expenditures to be approximately \$1.1 billion, with approximately 40% to be dedicated to investing in the IT infrastructure and supply chain projects and the remaining 60% to be spent on retail operations;
 - Costs associated with the transition of certain Ontario conventional stores under collective agreements ratified in 2010 to range from \$30 million to \$40 million;
 - Incremental costs related to investments in IT and supply chain to be approximately \$70 million;
 - Incremental investments in its customer proposition to be approximately \$40 million; and
 - Full-year 2012 net earnings per share to be down year-over-year, with more pressure in the first half of the year, as a result of the Company's expectation that operations will not cover the incremental costs related to the investments in IT and supply chain and its customer proposition.

(1) See Forward-Looking Statements on page 5 of this News Release.

Forward-Looking Statements

This News Release 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. These forward-looking statements are typically identified by 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. In this News Release, forward looking statements include the Company's expectation that:

- its capital expenditures in 2012 will be approximately \$1.1 billion;
- costs associated with the transition of certain Ontario conventional stores under collective agreements ratified in 2010 will range from \$30 million to \$40 million;
- incremental costs related to investments in IT and supply chain in 2012 will be approximately \$70 million;
- incremental costs associated with strengthening its customer proposition will be approximately \$40 million; and
- full-year 2012 net earnings per share to be down year-over-year, with more pressure in the first half of the year, as a result of the Company's expectation that operations will not cover the incremental costs related to the investments in IT and supply chain and its customer proposition.

These forward-looking statements are not historical facts but reflect the Company's current expectations concerning future results and events. They also reflect management's current assumptions regarding the risks and uncertainties referred to below and their respective impact on the Company. In addition, the Company's expectation with regard to its net earnings in 2012 is based in part on the assumptions that tax rates will be similar to those in 2011, the Company achieves its plan to increase net retail square footage by 1% and there are no unexpected adverse events or costs related to the Company's investments in IT and supply chain.

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:

- failure to realize revenue growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including investments in the Company's IT systems, including the Company's IT systems implementation, or unanticipated results from these initiatives;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business;
- heightened competition, whether from current competitors or new entrants to the market place;
- changes in economic conditions including the rate of inflation or deflation, changes in interest and currency exchange rates and derivative and commodity prices;
- public health events including those related to food safety;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements, which could lead to work stoppages;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- failure by the Company to maintain appropriate records to support its compliance with accounting, tax or legal rules, regulations and policies;
- failure of the Company's franchise stores to perform as expected;
- reliance on the performance and retention of third-party service providers including those associated with the Company's supply chain and apparel business;
- supply and quality control issues with vendors;
- changes to or failure to comply with laws and regulations affecting the Company and its business, including changes to the regulation of generic prescription drug prices and the reduction of reimbursement under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- changes in the Company's income, commodity, other tax and regulatory liabilities including changes in tax laws, regulations or future assessments;
- any requirement of the Company to make contributions to its registered funded defined benefit pension plans or the multi-employer pension plans in which it participates in excess of those currently contemplated;
- the risk that the Company would experience a financial loss if its counterparties fail to meet their obligations in accordance with the terms and conditions of their contracts with the Company; and
- the inability of the Company to collect on its credit card receivables.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. 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. Additional 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") and the MD&A included in the Company's 2011 Annual Report – Financial Review. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this News Release. The Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Consolidated Statements of Earnings

For the periods ended December 31, 2011 and January 1, 2011 (millions of Canadian dollars except where otherwise indicated)	2011 (12 Weeks) (unaudited)	2010 (12 Weeks) (unaudited)	2011 (52 Weeks) (audited)	2010 (52 Weeks) (audited)
Revenue	\$ 7,373	\$ 7,119	\$ 31,250	\$ 30,836
Cost of Merchandise Inventories Sold	5,664	5,420	23,894	23,534
Selling, General and Administrative Expenses	1,394	1,375	5,972	5,955
Operating Income	315	324	1,384	1,347
Net interest expense and other financing charges	81	83	327	353
Earnings Before Income Taxes	234	241	1,057	994
Income taxes	60	76	288	319
Net Earnings	\$ 174	\$ 165	\$ 769	\$ 675
Net Earnings per Common Share (\$)				
Basic	\$ 0.62	\$ 0.59	\$ 2.73	\$ 2.43
Diluted	\$ 0.60	\$ 0.58	\$ 2.71	\$ 2.38

Consolidated Balance Sheets

(millions of Canadian dollars) (audited)	As at December 31, 2011	As at January 1, 2011	As at January 3, 2010
Assets			
Current Assets			
Cash and cash equivalents	\$ 966	\$ 857	\$ 731
Short term investments	754	754	663
Accounts receivable	467	366	367
Credit card receivables	2,101	1,997	2,095
Inventories	2,025	1,956	1,982
Income taxes recoverable	–	8	–
Prepaid expenses and other assets	117	83	101
Assets held for sale	32	71	56
Total Current Assets	6,462	6,092	5,995
Fixed Assets	8,725	8,377	7,815
Investment Properties	82	74	75
Goodwill & Intangible Assets	1,029	1,026	1,023
Deferred Income Taxes	232	227	258
Security Deposits	266	354	250
Franchise Loans Receivable	331	314	344
Other Assets	301	377	330
Total Assets	\$ 17,428	\$ 16,841	\$ 16,090
Liabilities			
Current Liabilities			
Bank Indebtedness	\$ –	\$ 10	\$ 10
Trade payables and other liabilities	3,677	3,522	3,372
Provisions	35	62	62
Income taxes payable	14	–	42
Short term debt	905	535	1,225
Long term debt due within one year	87	902	312
Total Current Liabilities	4,718	5,031	5,023
Provisions	50	43	44
Long Term Debt	5,493	5,198	5,041
Deferred Income Taxes	21	35	27
Capital Securities	222	221	220
Other Liabilities	917	710	655
Total Liabilities	11,421	11,238	11,010
Shareholders' Equity			
Common Share Capital	1,540	1,475	1,308
Retained Earnings	4,414	4,122	3,771
Contributed Surplus	48	1	–
Accumulated Other Comprehensive Income	5	5	1
Total Shareholders' Equity	6,007	5,603	5,080
Total Liabilities and Shareholders' Equity	\$ 17,428	\$ 16,841	\$ 16,090

Consolidated Statements of Cash Flow

For the years ended December 31, 2011 and January 1, 2011
(millions of Canadian dollars)

	2011 (12 weeks) (unaudited)	2010 (12 weeks) (unaudited)	2011 (52 weeks) (audited)	2010 (52 weeks) (audited)
Operating Activities				
Net earnings	\$ 174	\$ 165	\$ 769	\$ 675
Income taxes	60	76	288	319
Net interest expense and other financing charges	81	83	327	353
Depreciation and amortization	170	152	699	628
Income taxes paid	(54)	(81)	(216)	(298)
Interest received	18	12	60	52
Settlement of equity forward contracts	(7)	-	(7)	-
Net (increase) decrease in credit card receivables	(190)	(142)	(104)	98
Change in non-cash working capital	348	324	8	151
Fixed assets and other related impairments	(4)	(10)	5	27
(Gain)/loss on disposal of assets	(7)	(10)	(18)	8
Other	31	14	3	16
Cash Flows from Operating Activities	620	583	1,814	2,029
Investing Activities				
Fixed asset purchases	(347)	(437)	(987)	(1,190)
Change in short term investments	51	50	18	(129)
Proceeds from fixed asset sales	6	53	57	90
Change in franchise investments and other receivables	(27)	(8)	(24)	(25)
Change in security deposits	(85)	(6)	92	(115)
Other	(12)	9	(12)	(12)
Cash Flows used in Investing Activities	(414)	(339)	(856)	(1,381)
Financing Activities				
Change in bank indebtedness	-	10	(10)	-
Change in short term debt	-	(600)	370	(690)
Long term debt				
Issued	4	609	287	981
Retired	(53)	(7)	(909)	(322)
Interest paid	(103)	(112)	(380)	(418)
Dividends paid	(59)	(15)	(193)	(65)
Common shares				
Issues	2	-	21	-
Purchased for cancellation	(17)	-	(39)	-
Cash Flows used in Financing Activities	(226)	(115)	(853)	(514)
Effect of foreign currency exchange rate changes on cash and cash equivalents	(1)	(4)	4	(8)
Change in Cash and Cash Equivalents	(21)	125	109	126
Cash and Cash Equivalents, Beginning of Year	987	732	857	731
Cash and Cash Equivalents, End of Year	\$ 966	\$ 857	\$ 966	\$ 857

Non-GAAP Financial Measures

The Company uses the following non-GAAP financial measures: EBITDA and EBITDA margin. 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 GAAP and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies, and they should not be construed as an alternative to other financial measures determined in accordance with GAAP.

EBITDA and EBITDA Margin The following table reconciles earnings before income taxes, interest expense and depreciation and amortization ("EBITDA") to operating income which is reconciled to GAAP net earnings measures reported in the consolidated statements of earnings for the years ended December 31, 2011 and January 1, 2011. EBITDA is useful to management in assessing performance of its ongoing operations and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program.

EBITDA margin is calculated as EBITDA divided by sales.

(millions of Canadian dollars)	2011 (12 weeks) (unaudited)	2010 (12 weeks) (unaudited)	2011 (52 weeks) (unaudited)	2010 (52 weeks) (unaudited)
Net earnings	\$ 174	\$ 165	\$ 769	\$ 675
Add impact of the following:				
Income taxes	60	76	288	319
Net interest expense and other financing charges	81	83	327	353
Operating income	315	324	1,384	1,347
Add impact of the following:				
Depreciation and amortization	170	152	699	628
EBITDA	\$ 485	\$ 476	\$ 2,083	\$ 1,975

2011 Annual Consolidated Financial Statements and MD&A

The Company's 2011 Annual Report will be available in the Investor Centre section of the Company's website at www.loblaw.ca or at www.sedar.com.

Investor Relations

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

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

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on February 23, 2012 at 11:00 a.m. (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, access code: 42503608. To access via webcast please visit www.loblaw.ca, go to Investor Centre and click on webcast. Pre-registration will be available.

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