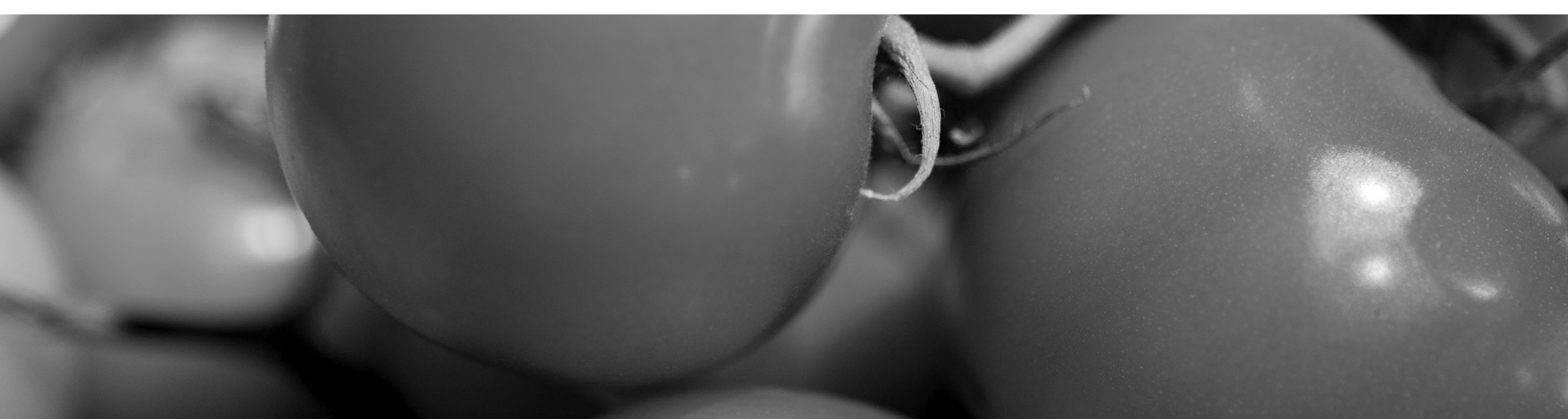
Q1 FIRST QUARTER REPORT TO SHAREHOLDERS

12 weeks ending March 24, 2012

Loblaw
COMPANIES LIMITED



2012 First Quarter Report to Shareholders

2012 First Quarter Summary[1]

- Basic net earnings per common share of $0.45, down 22.4% compared to the first quarter of 2011.
- EBITDA margin[2] of 5.9% compared to 6.6% in the first quarter of 2011.
- Revenue of $6,937 million, an increase of 0.9% over the first quarter of 2011.
- Retail sales growth of 0.8% and a same-store sales decline of 0.7%, negatively impacted by one less day of store operations compared to the first quarter of 2011.

"In the first quarter, we executed on our plan," said Galen G. Weston, Executive Chairman, Loblaw Companies Limited. "Despite a decline in year-over-year earnings, store conditions are improved, we made steady progress on our IT implementation and we took a disciplined approach to improving our customer proposition. Our outlook for 2012 remains unchanged – we expect full-year net earnings to be down, with more pressure in the first half. We are confident that our ongoing investments in infrastructure will enable efficiencies and expense leverage, setting the stage for future earnings growth."

Consolidated Quarterly Results of Operations

For the periods ended March 24, 2012 and March 26, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (12 weeks)**	2011 (12 weeks)	$ Change	% Change
Revenue	**$ 6,937**	$ 6,872	$ 65	0.9%
Operating income	**239**	303	(64)	(21.1%)
Net earnings	**126**	162	(36)	(22.2%)
Basic net earnings per common share ($)	**0.45**	0.58	(0.13)	(22.4%)
Operating margin	**3.4%**	4.4%		
EBITDA[2]	**$ 409**	$ 455	$ (46)	(10.1%)
EBITDA margin[2]	**5.9%**	6.6%		

- The $65 million increase in revenue compared to the first quarter of 2011 was driven by increases in the Company's Retail and Financial Services operating segments, as described below.
- As previously disclosed, for full-year 2012, the Company expects an incremental investment of $40 million in its customer proposition that is not expected to be covered by operations. In the first quarter of 2012, the Company invested an estimated $10 million entirely in gross profit related to its customer proposition.
- Operating income decreased by $64 million compared to the first quarter of 2011 as a result of a decrease in Retail operating income of $60 million and a decrease in Financial Services operating income of $4 million. Operating margin was 3.4% for the first quarter of 2012 compared to 4.4% in the same quarter in 2011. The $60 million decrease in Retail operating income was mainly driven by a decline in gross profit, the notable items as described below and changes in the value of the Company's investments in its franchise business.

(1) This report contains forward-looking information. See Forward-Looking Statements on page 5 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 when making these statements. This report 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 18 of this report.

- Consolidated operating income included the following notable items:
  - A $12 million charge (2011 – income of $7 million) related to the effect of share-based compensation net of equity forwards;
  - A $15 million charge (2011 – nil) related to the transition of certain Ontario conventional stores to the more cost effective and efficient operating terms under collective agreements ratified in the third quarter of 2010;
  - Reduction in costs of $5 million related to investments in information technology ("IT") and supply chain, including the following charges:
    - $71 million (2011 – $61 million) related to IT costs;
    - $46 million (2011 – $36 million) related to depreciation and amortization;
    - $3 million (2011 – $21 million) related to changes in the distribution network;
    - $3 million (2011 – $10 million) related to other supply chain projects costs; and
  - A nil charge (2011 – $8 million) related to an internal re-alignment of the Retail segment into a two division structure: conventional and discount.

- The decrease in net earnings of $36 million compared to the first quarter of 2011 was primarily due to the decrease in operating income partially offset by a decline in the Company's effective income tax rate.

- Basic net earnings per common share were impacted by the following notable items:
  - A $0.04 charge (2011 – income of $0.01) related to the effect of share-based compensation net of equity forwards;
  - A $0.04 charge (2011 – nil) related to the transition of certain Ontario conventional stores to the operating terms under collective agreements ratified in 2010;
  - $0.01 reduction in costs related to incremental investments in IT and supply chain; and
  - A nil charge (2011 – $0.02) related to the re-alignment of the Retail segment.

- In the first quarter of 2012, the Company invested $134 million in capital expenditures.

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

Retail Results of Operations

For the periods ended March 24, 2012 and March 26, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012** **(12 weeks)**	2011 (12 weeks)	$ Change	% Change
Sales	**$ 6,808**	$ 6,757	$ 51	0.8%
Gross profit	**1,529**	1,554	(25)	(1.6%)
Operating income	**225**	285	(60)	(21.1%)
Same-store sales decline	**(0.7%)**	(0.1%)		
Gross profit percentage	**22.5%**	23.0%		
Operating margin	**3.3%**	4.2%		

- In the first quarter of 2012, the increase of $51 million, or 0.8%, in Retail sales over the same period in the prior year was impacted by the following factors:
  - One less day of store operations estimated to have a negative effect of 0.8% to 1.0% on sales and same-store sales;
  - Same-store sales declined by 0.7% (2011 – 0.1%);
  - Sales in food were flat;
  - Sales in drugstore were flat;
  - Gas bar sales growth was strong as a result of higher retail gas prices, partially offset by a marginal volume decline;
  - Sales in general merchandise, excluding apparel, were flat;
  - Sales growth in apparel was strong, partially driven by increased apparel square footage;

- The Company experienced modest average quarterly internal food price inflation during the first quarters of 2012 and 2011, which was lower than the average quarterly national food price inflation of 3.7% (2011 – 2.5%) 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; and
- 25 corporate and franchise stores were opened and five corporate and franchise stores were closed since the first quarter of 2011, resulting in a net increase of 0.6 million square feet, or 1.2%.

- In the first quarter of 2012, gross profit decreased by $25 million compared to the first quarter of 2011 and gross profit percentage was 22.5%, a decline from 23.0% in the first quarter of 2011. These declines were primarily driven by increased transportation costs and higher input costs outpacing internal food price inflation, partially offset by improved shrink. Higher input costs that were not entirely passed on to the consumer included an estimated $10 million incremental investment in the Company’s customer proposition. The decline in gross profit percentage was also attributable to a higher proportion of lower margin gas bar sales.

- Operating income decreased by $60 million compared to the first quarter of 2011 and operating margin was 3.3% for the first quarter of 2012 compared to 4.2% in the same period in 2011. In addition to the notable items described in the Consolidated Quarterly Results of Operations above, operating income and operating margin were negatively impacted by the decrease in gross profit and changes in the value of the Company’s investments in its franchise business, partially offset by other operating cost efficiencies.

Financial Services Results of Operations

For the periods ended March 24, 2012 and March 26, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (12 weeks)**	2011 (12 weeks)	$ Change	% Change
Revenue	**$ 129**	$ 115	$ 14	12.2%
Operating income	**14**	18	(4)	(22.2%)
Earnings before income taxes	**4**	5	(1)	(20.0%)

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**As at March 24, 2012**	At as March 26, 2011	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,004**	$ 1,942	$ 62	3.2%
Credit card receivables	**1,987**	1,887	100	5.3%
Allowance for credit card receivables	**37**	33	4	12.1%
Annualized yield on average quarterly gross credit card receivables	**13.1%**	12.6%		
Annualized credit loss rate on average quarterly gross credit card receivables	**4.5%**	4.6%		

- The 12.2% increase in Financial Services revenue compared to the first quarter of 2011 was primarily driven by increased credit card transaction values and receivable balances, resulting in higher interchange fee and interest income. Higher *PC* Telecom revenues resulting from the 2011 launch of the new Mobile Shop kiosks also contributed to the increase.

- Operating income decreased by $4 million in the first quarter of 2012 compared to the first quarter of 2011. Increases in revenue were offset by higher customer acquisition costs and operational costs, which ramped up in the latter half of 2011, consistent with the Company’s continued investment in the growth of its Financial Services segment. Increased *PC* Points loyalty costs and investments in the launch of the Mobile Shop kiosks also contributed to the decrease in operating income.

- Earnings before income taxes decreased by $1 million in the first quarter of 2012 compared to the first quarter of 2011, primarily driven by the decline in operating income, partially offset by lower net interest expense.

Outlook[(1)]

- For fiscal 2012, the Company continues to expect:
    - 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
    - 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 report.

Forward-Looking Statements

This Quarterly Report for Loblaw Companies Limited ("the Company" or "Loblaw") 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 Quarterly Report, forward looking statements include the Company's continued expectation that for fiscal 2012:

- its capital expenditures 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 information technology ("IT") and supply chain will be approximately $70 million;
- incremental costs associated with strengthening its customer proposition will be approximately $40 million; and
- 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 marketplace;
- 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 this Management's Discussion and Analysis ("MD&A"). 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 MD&A. 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 2012 unaudited interim period condensed consolidated financial statements and the accompanying notes included in this Quarterly Report, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2011 and the related annual MD&A included in the Company's 2011 Annual Report – Financial Review ("2011 Annual Report"). The Company's first quarter 2012 unaudited interim period condensed consolidated financial statements and accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP") and International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). These unaudited interim period condensed consolidated financial statements include the accounts of the Company and other entities that the Company controls and are reported in Canadian dollars.

A glossary of terms used throughout this Quarterly Report can be found on page 120 of the Company's 2011 Annual Report. In addition, this Quarterly Report includes the following terms: "adjusted debt(1) to rolling year EBITDA(1)" which is defined as adjusted 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 "free cash flow(1)", which is defined as cash flows (used in) from operating activities excluding the net change in credit card receivables, less fixed asset purchases.

The information in this MD&A is current to May 1, 2012, unless otherwise noted.

Key Financial Performance Indicators

The Company has identified specific key financial performance indicators to measure the progress of short and long term objectives. Key financial performance indicators are set out below:

As at or for the periods ended March 24, 2012 and March 26, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (12 weeks)**	2011 (12 weeks)
Consolidated:		
Revenue growth (decline)	**0.9%**	(0.6%)
Operating income	**$ 239**	$ 303
Operating margin(2)	**3.4%**	4.4%
EBITDA(1)	**409**	455
EBITDA margin(1)	**5.9%**	6.6%
Net earnings	**126**	162
Basic net earnings per common share(2) ($)	**0.45**	0.58
Working capital(2)	**1,825**	1,375
Cash and cash equivalents, short term investments and security deposits	**1,686**	1,289
Cash flows (used in) from operating activities	**(57)**	19
Adjusted debt(1)	**4,778**	4,720
Adjusted debt(1) to rolling year EBITDA(1)	**2.3x**	2.4x
Adjusted debt(1) to equity(1)	**0.8:1**	0.8:1
Free cash flow(1)	**(305)**	(246)
Interest coverage(1)	**3.2x**	4.2x
Rolling year return on average net assets(1)	**11.1%**	11.8%
Rolling year return on average shareholders' equity	**12.4%**	13.0%

(1) See Non-GAAP Financial Measures on page 18 of this report.
(2) For financial definitions and ratios refer to the Glossary of Terms on page 120 of the 2011 Annual Report.

As at or for the periods ended March 24, 2012 and March 26, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012** **(12 weeks)**	2011 (12 weeks)
Retail Segment:		
Same-store sales decline	**(0.7%)**	(0.1%)
Gross profit	**$ 1,529**	$ 1,554
Gross profit percentage	**22.5%**	23.0%
Operating margin[1]	**3.3%**	4.2%
Financial Services Segment:		
Annualized yield on average quarterly gross credit card receivables[1]	**13.1%**	12.6%
Annualized credit loss rate on average quarterly gross credit card receivables[1]	**4.5%**	4.6%

Consolidated Results of Operations

For the periods ended March 24, 2012 and March 26, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012** **(12 weeks)**	2011 (12 weeks)	$ Change	% Change
Revenue	**$ 6,937**	$ 6,872	$ 65	0.9%
Operating income	**239**	303	(64)	(21.1%)
Net earnings	**126**	162	(36)	(22.2%)
Basic net earnings per common share ($)	**0.45**	0.58	(0.13)	(22.4%)
Operating margin	**3.4%**	4.4%		
EBITDA[2]	**$ 409**	$ 455	(46)	(10.1%)
EBITDA margin[2]	**5.9%**	6.6%		

Revenue The $65 million increase in revenue compared to the first quarter of 2011 was driven by increases in the Company's Retail and Financial Services operating segments, as described below.

Operating Income Operating income decreased by $64 million compared to the first quarter of 2011 as a result of a decrease in Retail operating income of $60 million and a decrease in Financial Services operating income of $4 million. Operating margin was 3.4% for the first quarter of 2012 compared to 4.4% in the same quarter in 2011.

As previously disclosed, for full-year 2012, the Company expects an incremental investment of $40 million in its customer proposition that is not expected to be covered by operations. In the first quarter, the Company invested an estimated $10 million entirely in gross profit related to its customer proposition.

Consolidated operating income included the following notable items:

- A $12 million charge (2011 – income of $7 million) related to the effect of share-based compensation net of equity forwards;
- A $15 million charge (2011 – nil) related to the transition of certain Ontario conventional stores to the more cost effective and efficient operating terms of collective agreements ratified in the third quarter of 2010;
- Reduction in costs of $5 million related to investments in information technology ("IT") and supply chain including the following charges:
    - $71 million (2011 – $61 million) related to IT costs;
    - $46 million (2011 – $36 million) related to depreciation and amortization;
    - $3 million (2011 – $21 million) related to changes in the distribution network;
    - $3 million (2011 – $10 million) related to other supply chain project costs; and
- A nil charge (2011 – $8 million) related to an internal re-alignment of the Retail segment into a two division structure: conventional and discount.

(1) For financial definitions and ratios refer to the Glossary of Terms on page 120 of the 2011 Annual Report.
(2) See Non-GAAP Financial Measures on page 18 of this report.

Net Interest Expense and Other Financing Charges In the first quarter of 2012, net interest expense and other financing charges increased by $1 million, or 1.4%, to $74 million compared to the first quarter of 2011 primarily as a result of an increase in year-over-year capital lease interest expense and the maturity of interest rate swaps in the third quarter of 2011, partially offset by the net repayments of credit card receivables in the first quarter of 2011.

Income Taxes The effective income tax rate in the first quarter of 2012 decreased to 23.6% from 29.6% in 2011 primarily due to further reductions in the Federal and Ontario statutory income tax rates and a decrease in income tax expense related to certain prior year income tax matters.

Subsequent to the end of the first quarter, the Ontario government announced deferrals in the enactment of certain reductions in corporate income tax rates. The effect of these deferrals is not expected to have a significant impact on the Company's results of operations.

Net Earnings Net earnings for the first quarter of 2012 decreased by $36 million, or 22.2%, compared to the first quarter of 2011. Basic net earnings per common share for the first quarter decreased by 22.4%, to $0.45 from $0.58 in the first quarter of 2011.

Basic net earnings per common share for the first quarter of 2012 were impacted by the following notable items:

- A charge of $0.04 (2011 – income of $0.01) for the effect of share-based compensation net of equity forwards;
- A $0.04 charge (2011 – nil) related to the transition of certain Ontario conventional stores under collective agreements ratified in the third quarter of 2010;
- $0.01 reduction in costs related to the incremental investments in IT and supply chain; and
- A nil charge (2011 – $0.02) related to the re-alignment of the Retail segment.

Reportable Operating Segments

Retail

For the periods ended March 24, 2012 and March 26, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (12 weeks)**	2011 (12 weeks)	$ Change	% Change
Sales	**$ 6,808**	$ 6,757	$ 51	0.8%
Gross profit	**1,529**	1,554	(25)	(1.6%)
Operating income	**225**	285	(60)	(21.1%)
Same-store sales decline	**(0.7%)**	(0.1%)		
Gross profit percentage	**22.5%**	23.0%		
Operating margin[(1)]	**3.3%**	4.2%		

Sales In the first quarter of 2012, the increase in Retail sales of $51 million, or 0.8%, over the same period in the prior year was impacted by the following factors:

- One less day of store operations estimated to have a negative effect of 0.8% to 1.0% on sales and same-store sales;
- Same-store sales declined by 0.7% (2011 – 0.1%);
- Sales in food were flat;
- Sales in drugstore were flat;
- Gas bar sales growth was strong as a result of higher retail gas prices, partially offset by a marginal volume decline;
- Sales in general merchandise, excluding apparel, were flat;
- Sales growth in apparel was strong, partially driven by increased apparel square footage;
- The Company experienced modest average quarterly internal food price inflation during the first quarters of 2012 and 2011, which was lower than the average quarterly national food price inflation of 3.7% (2011 – 2.5%) 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; and
- 25 corporate and franchise stores were opened and five corporate and franchise stores were closed since the first quarter of 2011 resulting in a net increase of 0.6 million square feet, or 1.2%.

(1) For financial definitions and ratios refer to the Glossary of Terms on page 120 of the 2011 Annual Report.

Gross Profit In the first quarter of 2012, gross profit decreased by $25 million compared to the first quarter of 2011 and gross profit percentage was 22.5%, a decline from 23.0% in the first quarter of 2011. These declines were primarily driven by increased transportation costs and higher input costs outpacing internal food price inflation, partially offset by improved shrink. Higher input costs that were not entirely passed on to the consumer included an estimated $10 million incremental investment in the Company's customer proposition. The decline in gross profit percentage was also attributable to a higher proportion of lower margin gas bar sales.

Operating Income Operating income decreased by $60 million compared to the first quarter of 2011 and operating margin was 3.3% for the first quarter of 2012 compared to 4.2% in the same period in 2011. In addition to the notable items described in the Consolidated Results of Operations above, operating income and operating margin were negatively impacted by the decrease in gross profit and changes in the value of the Company's investments in its franchise business, partially offset by other operating cost efficiencies.

Financial Services

For the periods ended March 24, 2012 and March 26, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (12 weeks)**	2011 (12 weeks)	$ Change	% Change
Revenue	**$ 129**	$ 115	$ 14	12.2%
Operating income	**14**	18	(4)	(22.2%)
Earnings before income taxes	**4**	5	(1)	(20.0%)

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**2012 (12 weeks)**	2011 (12 weeks)	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,004**	$ 1,942	$ 62	3.2%
Credit card receivables	**1,987**	1,887	100	5.3%
Allowance for credit card receivables	**37**	33	4	12.1%
Annualized yield on average quarterly gross credit card receivables	**13.1%**	12.6%		
Annualized credit loss rate on average quarterly gross credit card receivables	**4.5%**	4.6%		

Revenue The 12.2% increase in Financial Services revenue compared to the first quarter of 2011 was primarily driven by increased credit card transaction values and receivable balances, resulting in higher interchange fee and interest income. Higher *PC* Telecom revenues resulting from the 2011 launch of the new Mobile Shop kiosks also contributed to the increase.

Operating Income Operating income decreased by $4 million in the first quarter of 2012 compared to the first quarter of 2011. Increases in revenue were offset by higher customer acquisition costs and operational costs, which ramped up in the latter half of 2011, consistent with the Company's continued investment in the growth of its Financial Services segment. Increased *PC* Points loyalty costs and investments in the launch of the Mobile Shop kiosks also contributed to the decrease in operating income.

Earnings Before Income Taxes Earnings before income taxes decreased by $1 million in the first quarter of 2012 compared to the first quarter of 2011, primarily driven by the decline in operating income, partially offset by lower net interest expense.

Financial Condition

Working Capital[(1)] As at March 24, 2012, working capital[(1)] was $1,825 million compared to $1,375 million as at March 26, 2011. The increase of $450 million was primarily due to an increase in cash and cash equivalents and short-term investments, driven by EBITDA[(2)], partially offset by fixed asset purchases, income taxes, net interest paid and dividends declared. Increased credit card receivables due to additional active accounts and higher credit card transaction values also contributed to the increase.

(1) For financial definitions and ratios refer to the Glossary of Terms on page 120 of the 2011 Annual Report.

(2) See Non-GAAP Financial Measures on page 18 of this report.

As at March 24, 2012, working capital[1] was $1,825 million compared to $1,744 million as at December 31, 2011. The increase of $81 million was primarily driven by EBITDA[2], partially offset by fixed asset purchases, income taxes, net interest paid and dividends declared. In the first quarter of 2012, working capital[1] included the normal seasonal settlement of trade payables and other liabilities and the resulting decline in cash and cash equivalents.

Free Cash Flow[2] As at March 24, 2012, free cash flow[2] was negative $305 million compared to negative $246 million as at March 26, 2011. The decrease of $59 million was due to the decrease in year-over-year EBITDA[2] and seasonal non-cash working capital requirements, partially offset by lower fixed asset purchases. Free cash flow[2] is typically negative in the first quarter and is expected to improve throughout the remainder of the year due to quarterly net earnings and improvements in cash flows from non-cash working capital.

Dividends During the first quarter of 2012, the Company's Board of Directors ("Board") declared dividends of $0.21 (2011 – $0.21) per common share with a payment date of April 1, 2012 and $0.37 (2011 – $0.37) per Second Preferred Shares, Series A with a payment date of April 30, 2012. For financial statement presentation purposes, Second Preferred Shares, Series A dividends of $3 million (2011 – $3 million) are included as a component of net interest and other financing charges in the consolidated statements of earnings. Subsequent to the end of the first quarter of 2012, the Board declared a quarterly dividend of $0.21 per common share payable July 1, 2012 and $0.37 per Second Preferred Share, Series A, payable July 31, 2012. At the time such dividends are declared, the Company identifies on its website (loblaw.ca) the designation of eligible and ineligible dividends in accordance with the administrative position of the Canada Revenue Agency.

Normal Course Issuer Bid ("NCIB") During the first quarter of 2012, the Company purchased for cancellation 54,908 (2011 – nil) common shares, resulting in a charge to retained earnings of $2 million (2011 – nil) for the premium on the common shares, and a nominal (2011 – nil) reduction in common share capital. Subsequent to the first quarter of 2012, Loblaw renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX"), or enter equity derivatives to purchase up to 14,070,352 of the Company's common shares, representing approximately 5% of the common shares outstanding. In accordance with the rules and by-laws of the TSX, the Company may purchase its shares at the then market price of such shares.

Employee Stock Option Plan – Proposed Amendment At the Company's Annual and Special Meeting of Shareholders on May 3, 2012, the shareholders will be asked to approve an amendment to the Company's employee stock option plan that will increase the total number of common shares authorized for issuance under the plan by 14,428,484 to 28,137,162 common shares. This amendment would increase the Company's limited number of common shares authorized for issuance under the stock option plan from 5% to 10% of the total issued and outstanding common shares.

Cross Currency Swaps Glenhuron Bank Limited ("Glenhuron"), a wholly owned subsidiary of the Company, holds cross currency swaps to exchange United States dollars ("USD") for $1,213 million (March 26, 2011 – $1,210 million; December 31, 2011 – $1,252 million) Canadian dollars, which mature by 2018. During the first quarter of 2012, a fair value gain of $28 million (2011 – $21 million) was recognized in operating income relating to these cross currency swaps. In addition, during the first quarter of 2012, the Company recognized in operating income a foreign exchange translation loss of $25 million (2011 – $18 million) related to USD $1,078 million (March 26, 2011 – $1,045 million; December 31, 2011 – $1,073 million) cash and cash equivalents, short-term investments and security deposits held by Glenhuron.

In 2008, the Company entered into fixed cross currency swaps to exchange $296 million Canadian dollars for USD $300 million, which mature by 2015. During the first quarter of 2012, the Company recognized in operating income an unrealized fair value loss of $4 million (2011 – $9 million) on these cross currency swaps. In addition, during the first quarter of 2012, the Company recognized in operating income an unrealized foreign currency exchange translation gain of $7 million (2011 – $6 million) related to USD $300 million fixed-rate private placement notes.

Interest Rate Swaps The Company maintains a notional $150 million (March 26, 2011 − $150 million; December 31, 2011 – $150 million) in interest rate swaps, on which it pays a fixed rate of 8.38%. During the first quarter of 2012, the Company recognized a nominal (2011 – nominal) fair value gain in operating income.

(1) For financial definitions and ratios refer to the Glossary of Terms on page 120 of the 2011 Annual Report.

(2) See Non-GAAP Financial Measures on page 18 of this report.

Equity Forward Contracts As at March 24, 2012, Glenhuron, had cumulative equity forward contracts to buy 1.1 million (March 26, 2011 – 1.5 million; December 31, 2011 – 1.1 million) of the Company's common shares at an average forward price of $56.57 (March 26, 2011 – $56.37; December 31, 2011 – $56.38), including interest expense of $0.14 (March 26, 2011 – $0.15; December 31, 2011 – income of $0.05) per common share. As at March 24, 2012 the cumulative interest and unrealized market loss of $25 million (March 26, 2011 – $27 million; December 31, 2011 – $20 million) was included in trade payables and other liabilities. During the first quarter of 2012, a fair value loss of $5 million (2011 – $3 million) was recognized in operating income related to these forward contracts.

Liquidity and Capital Resources

Cash Flows

Major Cash Flow Components

(millions of Canadian dollars) (unaudited)	**2012 (12 weeks)**	2011 (12 weeks)	$ Change	% Change
Cash flows (used in) from:				
Operating activities	**$ (57)**	$ 19	$ (76)	(400.0%)
Investing activities	**(179)**	73	(252)	(345.2%)
Financing activities	**(69)**	(520)	451	86.7%

Cash Flows (used in) from Operating Activities Cash flows used in operating activities for the first quarter of 2012 were $57 million, which included EBITDA[(1)] of $409 million and a decrease of $114 million in credit card receivables, partially offset by a change in non-cash working capital of $533 million and income taxes paid of $69 million. The change in non-cash working capital was primarily due to a decrease in accounts payable and other liabilities partially offset by decreases in accounts receivable and inventories.

The $76 million decrease in cash flows from operating activities compared to the first quarter of 2011 was mainly due to the year-over-year decrease in EBITDA[(1)] and seasonal non-cash working capital requirements.

Cash Flows (used in) from Investing Activities Cash flows used in investing activities were $179 million in the first quarter of 2012 compared to cash flows from investing activities of $73 million in the first quarter of 2011. The change of $252 million was primarily due to a reduction of security deposits as a result of a repayment of *Eagle Credit Card Trust ("Eagle")* notes in the first quarter of 2011 and the change in short term investments.

During the first quarter of 2012, the Company reached an agreement to purchase prescription files from 95 Zellers Inc. stores for approximately $35 million. Actual cash outlays will be determined, and may differ from initial estimates, as each store's closing is finalized through the second and third quarters of 2012.

(1) See Non-GAAP Financial Measures on page 18 of this report.

Capital Investment and Store Activity

As at or for the periods ended March 24, 2012 and March 26, 2011 (unaudited)	**2012 (12 weeks)**	2011 (12 weeks)	% Change
Capital investment (millions of Canadian dollars)	**$ 134**	$ 155	(13.5%)
Corporate square footage (in millions)	**37.6**	37.3	0.8%
Franchise square footage (in millions)	**13.7**	13.4	2.2%
Retail square footage (in millions)	**51.3**	50.7	1.2%
Number of corporate stores	**585**	574	1.9%
Number of franchise stores	**462**	453	2.0%
Percentage of corporate real estate owned	**72%**	74%	
Percentage of franchise real estate owned	**46%**	46%	
Average store size (square feet)			
Corporate	**64,200**	65,000	(1.2%)
Franchise	**29,600**	29,600	–

Cash Flows used in Financing Activities Cash flows used in financing activities were $69 million in the first quarter of 2012 compared to $520 million in the first quarter of 2011. The change of $451 million was due to repayments in the first quarter of 2011 of a $500 million *Eagle* Series note and a $350 million, 6.50% Medium Term Note ("MTN"), partially offset by net issuances of Guaranteed Investment Certificates ("GICs") by President's Choice Bank ("PC Bank") and the securitization of an additional $370 million in credit card receivables in the first quarter of 2011.

Defined Benefit Pension Plan Contributions During the first quarter of 2012, the Company contributed $12 million (2011 – $25 million) to its registered funded defined benefit pension plans. The Company expects to contribute approximately $135 million to these plans during the remainder of 2012. The actual amount contributed may vary from the estimate based on changes in actuarial valuations, investment performance, volatility in discount rates, regulatory requirements and other factors. The Company also expects to continue making contributions for the remainder of 2012 to its defined contribution plans and the multi-employer pension plans in which it participates as well as benefit payments to the beneficiaries of the supplemental unfunded defined benefit pension plans, other defined benefit plans and other long term employee benefit plans.

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 $800 million committed credit facility ("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 12 months. The Company has traditionally obtained its long term financing primarily through a MTN program. The Company may refinance maturing long term debt with MTNs if market conditions are appropriate or it may consider other alternatives. In addition, given reasonable access to capital markets, the Company does not foresee any material impediments in obtaining financing to satisfy its long term obligations.

The Company's Credit Facility contains certain financial covenants with which the Company was in compliance throughout the quarter. During the first quarter of 2012, the Company renewed and extended its Credit Facility to March 2017. The Company's key financial covenants under this agreement remained substantially the same. As at March 24, 2012, March 26, 2011 and December 31, 2011, there were no amounts drawn under the Credit Facility.

During 2010, the Company filed a Short Form Base Shelf Prospectus ("Prospectus") which allows for the issuance of up to $1.0 billion of unsecured debentures and/or preferred shares over a 25-month period. As at March 24, 2012, March 26, 2011 and December 31, 2011, there were no issuances under the Prospectus. The Company intends to renew its Prospectus which expires on December 25, 2012.

Independent Securitization Trusts PC Bank participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. Under these securitization programs, a portion of the total interest in the credit card receivables is sold to certain independent securitization trusts pursuant to co-ownership agreements. PC Bank purchases credit card receivables from and sells credit card receivables to these independent securitization trusts from time to time depending on PC Bank's financing requirements. In addition to PC Bank's securitized credit card receivables, the independent securitization trusts' recourse is limited to standby letters of credit arranged by the Company of $81 million as at March 24, 2012 (March 26, 2011 – $81 million; December 31, 2011 – $81 million), which is based on a portion of the securitized amount.

Independent Funding Trusts Certain independent franchisees of the Company obtain financing through a structure involving independent funding 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 independent funding 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 funding trusts as at March 24, 2012 was $446 million (March 26, 2011 – $408 million; December 31, 2011 – $424 million). The Company has agreed to provide credit enhancement of $48 million (March 26, 2011 – $66 million; December 31, 2011 – $48 million) in the form of a standby letter of credit for the benefit of the independent funding trust representing not less than 10% (March 26, 2011 – 15%) of the principal amount of the loans outstanding.

In addition to participating in various securitization programs to fund its operations, PC Bank obtains short-term and long-term financing through its GIC program. During the first quarter of 2012, PC Bank sold $1 million (2011 – $46 million), before nominal commissions, in GICs through independent brokers. In addition, $14 million (2011 – nil) of GICs matured and were repaid. As at March 24, 2012, the Company had recorded in long term debt $263 million (March 26, 2011 – $64 million; December 31, 2011 – $276 million), before commissions of $2 million (March 26, 2011 – nil; December 31, 2011 – $2 million) of outstanding GICs, of which $42 million (March 26, 2011 – $19 million; December 31, 2011 – $46 million) was recorded as long term debt due within one year.

The Company has agreements to cash collateralize certain of its uncommitted credit facilities up to an amount of $88 million of which $85 million was deposited with major Canadian chartered banks and classified as security deposits as at March 24, 2012 (March 26, 2011 – nil).

The credit ratings of the Company as disclosed in the 2011 Annual Report did not change in the first quarter of 2012.

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. 2012, 2011 and 2010 are 52-week fiscal years. 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 period condensed consolidated financial statements for each of the eight most recently completed quarters.

Summary of Consolidated Quarterly Results

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
(millions of Canadian dollars except where otherwise indicated) (unaudited)	**2012 (12 weeks)**	**2011 (12 weeks)**	2011 (12 weeks)	2010 (12 weeks)	2011 (16 weeks)	2010 (16 weeks)	2011 (12 weeks)	2010 (12 weeks)
Revenue	**$ 6,937**	**$ 6,872**	$ 7,373	$ 7,119	$ 9,727	$ 9,535	$ 7,278	$ 7,269
Net earnings	**$ 126**	**$ 162**	$ 174	$ 165	$ 236	$ 197	$ 197	$ 181
Net earnings per common share								
Basic ($)	**$ 0.45**	**$ 0.58**	$ 0.62	$ 0.59	$ 0.84	$ 0.71	$ 0.70	$ 0.65
Diluted ($)	**$ 0.45**	**$ 0.56**	$ 0.60	$ 0.58	$ 0.83	$ 0.70	$ 0.69	$ 0.64
Average national food price inflation (as measured by CPI)	**3.7%**	**2.5%**	5.2%	1.5%	4.9%	1.3%	4.0%	0.3%
Retail same-store sales (decline) growth	**(0.7%)**	**(0.1%)**	2.5%	(1.6%)	1.3%	(0.4%)	(0.4%)	(0.3%)

Since the fourth quarter of 2010, net retail square footage has increased by 0.6 million square feet to 51.3 million square feet.

Fluctuations in quarterly net earnings reflect the underlying operations of the Company as well as the impact of a number of specific charges including, but not limited to, the impact of share-based compensation net of equity forwards, costs related to the transition of certain Ontario conventional stores to the more cost effective and efficient operating terms of collective agreements ratified in 2010, costs related to the incremental investment in IT and supply chain and costs associated with the re-alignment of the Retail segment into a two division structure: conventional and discount. 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 reports for external purposes in accordance with 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.

There were no changes in the Company's internal control over financial reporting during the first quarter of 2012 that have materially affected, or are 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 22 of the MD&A in the Company's 2011 Annual Report as well as in note 26 of the same report. The following is an update to those risks and risk management strategies:

Information Technology and Other Systems Implementations The Company continues to undertake a major upgrade of its IT infrastructure. In 2010, the Company began to implement a new IT system. This project, along with other systems implementations planned for 2012 and beyond, constitutes one of the largest technology infrastructure programs ever implemented by the Company and is fundamental to its long-term growth strategies. During the first quarter of 2012, the Company successfully added supply chain master data to the IT system. A substantial amount of this master data, including delivery schedules and certain costing information, now originates in the new IT system. Completing the IT system deployment will require continued focus and significant investment. The failure to successfully migrate from legacy systems to the IT system could negatively affect the Company's reputation, operations, revenues and financial performance. Failure or disruption in the Company's current IT systems during the implementation of the new IT and other systems may result in a lack of relevant and reliable information to enable management to effectively achieve its strategic plan or manage the day-to-day operations of the business, causing significant disruptions to the business and potential financial losses. In addition, the failure to implement appropriate processes to support the IT system may result in inefficiencies and duplication in current processes.

Regulatory Subsequent to the end of the first quarter of 2012, the provincial governments of New Brunswick and Newfoundland introduced amendments and the provincial governments of British Columbia and Ontario announced further amendments to the regulation of generic prescription drug prices paid by provincial governments pursuant to public drug benefit plans. Under these amendments, the prices paid by the provincial drug plans for generic drugs are being reduced. The amendments also reduce the costs of generic drugs purchased out-of-pocket or through private employer drug plans. The Company continues to identify opportunities to mitigate the impact of these amendments, including the introduction of programs to add new services and enhance existing services to attract customers, but despite these efforts, the amendments could have an adverse effect on the financial performance of the Company.

Accounting Standards Implemented in 2012

Financial Instruments – Disclosures On October 7, 2010, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures", which increase the disclosure requirements for transactions involving transfers of financial assets to help users of the financial statements evaluate the risk exposures relating to such transfers and the effect of those risks on an entity's financial position. These amendments are effective and have been implemented in the first quarter of 2012.

Deferred Tax – Recovery of Underlying Assets On December 20, 2010, the IASB issued amendments to IAS 12, "Income Taxes" ("IAS 12"), that introduce an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. These amendments are effective in the first quarter of 2012. As part of its transition to IFRS, the Company elected to account for its investment properties at cost and as such the amendments did not have an impact on the Company's results of operations or financial condition.

Outlook(1)

The Company is focused on consistent execution to exceed customer expectations with the right assortment, improved in-store experience and competitive prices across all banners.

The Company continues to expect capital expenditures to be approximately $1.1 billion and net new retail square footage to be approximately 1% in 2012. In addition, costs associated with the transition of certain Ontario conventional stores under collective agreements are expected to range from $30 million to $40 million.

For full-year 2012, the Company estimates net earnings to be down year-over-year, with more pressure in the first half of the year, as it does not expect its operations to cover incremental costs of $70 million related to investments in IT and supply chain and $40 million for ongoing investments in its customer proposition.

(1) To be read in conjunction with "Forward-Looking Statements" on page 5.

Non-GAAP Financial Measures

The Company uses the following non-GAAP financial measures: EBITDA and EBITDA margin, interest and interest coverage, free cash flow, net assets, rolling year return on average net assets and adjusted debt, adjusted debt to rolling year EBITDA and adjusted debt to equity. 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 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, net interest expense and other financing charges 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 12 week periods ended March 24, 2012 and March 26, 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 revenue.

(millions of Canadian dollars) (unaudited)	**2012 (12 weeks)**	2011 (12 weeks)
Net earnings	**$ 126**	$ 162
Add impact of the following:		
Income taxes	**39**	68
Net interest expense and other financing charges	**74**	73
Operating income	**239**	303
Add impact of the following:		
Depreciation and amortization	**170**	152
EBITDA	**$ 409**	$ 455

Interest and Interest Coverage The following table reconciles interest expense used in the calculations of the interest coverage ratio to GAAP measures for the 12 week periods ended March 24, 2012 and March 26, 2011. The Company believes the interest coverage ratio is useful in assessing the Company's ability to cover its net interest charge with its operating income.

Interest expense is calculated as net interest expense and other financing charges plus interest capitalized on fixed assets. Interest coverage is calculated as operating income divided by interest expense.

(millions of Canadian dollars) (unaudited)	**2012 (12 weeks)**	2011 (12 weeks)
Net interest expense and other financing charges	**$ 74**	$ 73
Add: Interest capitalized to fixed assets	**–**	–
Interest expense	**$ 74**	$ 73

Free Cash Flow The following table reconciles free cash flow used in assessing the Company's financial condition to GAAP measures for the 12 week periods ended March 24, 2012 and March 26, 2011. The Company believes that free cash flow is a useful measure in assessing the Company's cash available for additional funding and investing activities.

Free cash flow is calculated as cash flows (used in) from operating activities excluding the net change in credit card receivables, less fixed asset purchases.

(millions of Canadian dollars) (unaudited)	**2012 (12 weeks)**	2011 (12 weeks)
Cash flows (used in) from operating activities	**$ (57)**	$ 19
Net decrease in credit card receivables	**(114)**	(110)
Less: Fixed asset purchases	**134**	155
Free cash flow	**$ (305)**	$ (246)

Net Assets The following table reconciles net assets used in the rolling year return on average net assets ratio to GAAP measures reported as at the periods ended as indicated. The Company believes the rolling year return on average net assets ratio 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 and trade payables and other liabilities. Rolling year return on average net assets is calculated as cumulative operating income for the latest four quarters divided by average net assets.

(millions of Canadian dollars)	**As at March 24, 2012 (unaudited)**	As at March 26, 2011 (unaudited)	As at December 31, 2011
Total assets	**$ 16,878**	$ 16,035	$ 17,428
Less: Cash and cash equivalents	**657**	427	966
Short term investments	**780**	678	754
Security deposits	**249**	184	266
Trade payables and other liabilities	**3,079**	3,048	3,677
Net assets	**$ 12,113**	$ 11,698	$ 11,765

Adjusted Debt The following table reconciles adjusted debt used in the adjusted debt to rolling year EBITDA and adjusted debt to equity ratios to GAAP measures reported as at the periods ended as indicated. The Company believes that adjusted debt is relevant in assessing the amount of financial leverage employed.

The Company calculates debt as the sum of bank indebtedness, short term debt, long term debt, certain other liabilities and the fair value of financial derivatives. The Company calculates adjusted debt as debt less independent securitization trusts in short term and long term debt and PC Bank's GICs. Adjusted debt to rolling year EBITDA is calculated as adjusted debt divided by cumulative EBITDA for the latest four quarters. Adjusted debt to equity is calculated as debt divided by shareholders' equity and capital securities.

(millions of Canadian dollars)	**As at March 24, 2012 (unaudited)**	As at March 26, 2011 (unaudited)	As at December 31, 2011
Short term debt	**$ 905**	$ 905	$ 905
Long term debt due within one year	**82**	52	87
Long term debt	**5,489**	5,249	5,493
Certain other liabilities	**39**	35	39
Fair value of financial derivatives related to the above	**31**	48	22
Total debt	**$ 6,546**	$ 6,289	$ 6,546
Less:			
Short term debt – Other Independent Securitization Trusts	**905**	905	905
Long term debt – *Eagle Credit Card Trust*	**600**	600	600
Guaranteed Investment Certificates	**263**	64	276
Adjusted debt	**$ 4,778**	$ 4,720	$ 4,765

The Second Preferred Shares, Series A are classified as capital securities and are excluded from the calculations of adjusted debt.

Equity The following table reconciles equity used in the adjusted debt to equity ratio to GAAP measures reported as at the periods ended as indicated.

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

(millions of Canadian dollars)	**As at March 24, 2012 (unaudited)**	As at March 26, 2011 (unaudited)	As at December 31, 2011
Capital securities	**$ 222**	$ 221	$ 222
Shareholders' equity	**6,102**	5,756	6,007
Equity	**$ 6,324**	$ 5,977	$ 6,229

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 for the Company's subsidiary, PC Bank.

May 1, 2012
Toronto, Canada

Financial Results

Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**March 24, 2012 (12 Weeks)**	March 26, 2011 (12 Weeks)
Revenue	**$ 6,937**	$ 6,872
Cost of Merchandise Inventories Sold (note 8)	**5,284**	5,203
Selling, General and Administrative Expenses	**1,414**	1,366
Operating Income	**239**	303
Net interest expense and other financing charges (note 3)	**74**	73
Earnings Before Income Taxes	**165**	230
Income taxes (note 4)	**39**	68
Net Earnings	**$ 126**	$ 162
Net Earnings per Common Share ($) (note 5)		
Basic	**$ 0.45**	$ 0.58
Diluted	**$ 0.45**	$ 0.56

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

Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) (unaudited)	**March 24, 2012 (12 Weeks)**	March 26, 2011 (12 Weeks)
Net earnings	**$ 126**	$ 162
Other comprehensive income, net of taxes		
Net defined benefit plan actuarial gains	**25**	4
Total Comprehensive Income	**$ 151**	$ 166

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

Condensed Consolidated Statements of Changes in Shareholders' Equity

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income	Total Equity
Balance at December 31, 2011	**$ 1,540**	**$ 4,414**	**$ 48**	**$ 5**	**$ 6,007**
Net earnings	**–**	**126**	**–**	**–**	**126**
Other comprehensive income	**–**	**25**	**–**	**–**	**25**
Total Comprehensive Income	**–**	**151**	**–**	**–**	**151**
Net effect of share-based compensation (note 15)	**2**	**–**	**3**	**–**	**5**
Common shares purchased for cancellation (note 13)	**–**	**(2)**	**–**	**–**	**(2)**
Dividends declared per common share ($) – $0.21	**–**	**(59)**	**–**	**–**	**(59)**
	2	**90**	**3**	**–**	**95**
Balance at March 24, 2012	**$ 1,542**	**$ 4,504**	**$ 51**	**$ 5**	**$ 6,102**

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

(millions of Canadian dollars except where otherwise indicated) (unaudited)	Common Share Capital	Retained Earnings	Contributed Surplus	Accumulated Other Comprehensive Income	Total Equity
Balance at January 1, 2011	$ 1,475	$ 4,122	$ 1	$ 5	$ 5,603
Net earnings	–	162	–	–	162
Other comprehensive income	–	4	–	–	4
Total Comprehensive Income	–	166	–	–	166
Net effect of share-based compensation (note 15)	3	–	43	–	46
Dividends declared per common share ($) – $0.21	–	(59)	–	–	(59)
	3	107	43	–	153
Balance at March 26, 2011	$ 1,478	$ 4,229	$ 44	$ 5	$ 5,756

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

Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	**As at March 24, 2012**	As at March 26, 2011	As at December 31, 2011
Assets			
Current Assets			
Cash and cash equivalents (note 6)	**$ 657**	$ 427	$ 966
Short term investments (note 6)	**780**	678	754
Accounts receivable	**432**	367	467
Credit card receivables (note 7)	**1,987**	1,887	2,101
Inventories (note 8)	**1,926**	1,928	2,025
Income taxes recoverable	**5**	–	–
Prepaid expenses and other assets	**123**	90	117
Assets held for sale	**18**	68	32
Total Current Assets	**5,928**	5,445	6,462
Fixed Assets	**8,694**	8,384	8,725
Investment Properties	**95**	74	82
Goodwill & Intangible Assets	**1,026**	1,026	1,029
Deferred Income Taxes	**241**	207	232
Security Deposits (note 6)	**249**	184	266
Franchise Loans Receivable	**352**	315	331
Other Assets (note 9)	**293**	400	301
Total Assets	**$ 16,878**	$ 16,035	$ 17,428
Liabilities			
Current Liabilities			
Trade payables and other liabilities	**3,079**	3,048	3,677
Provisions	**37**	63	35
Income taxes payable	**–**	2	14
Short term debt (note 10)	**905**	905	905
Long term debt due within one year (note 11)	**82**	52	87
Total Current Liabilities	**4,103**	4,070	4,718
Provisions	**50**	43	50
Long Term Debt (note 11)	**5,489**	5,249	5,493
Deferred Income Taxes	**27**	36	21
Capital Securities	**222**	221	222
Other Liabilities (note 12)	**885**	660	917
Total Liabilities	**10,776**	10,279	11,421
Shareholders' Equity			
Common Share Capital (note 13)	**1,542**	1,478	1,540
Retained Earnings	**4,504**	4,229	4,414
Contributed Surplus (note 15)	**51**	44	48
Accumulated Other Comprehensive Income	**5**	5	5
Total Shareholders' Equity	**6,102**	5,756	6,007
Total Liabilities and Shareholders' Equity	**$ 16,878**	$ 16,035	$ 17,428

Contingent liabilities (note 17).

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

Condensed Consolidated Statements of Cash Flow

(millions of Canadian dollars) (unaudited)	**March 24, 2012 (12 weeks)**	March 26, 2011 (12 weeks)
Operating Activities		
Net earnings	**$ 126**	$ 162
Income taxes (note 4)	**39**	68
Net interest expense and other financing charges (note 3)	**74**	73
Depreciation and amortization	**170**	152
Income taxes paid	**(69)**	(41)
Interest received	**7**	10
Net decrease in credit card receivables (note 7)	**114**	110
Change in non-cash working capital	**(533)**	(502)
Fixed assets and other related impairments	**3**	4
Other	**12**	(17)
Cash Flows (used in) from Operating Activities	**(57)**	19
Investing Activities		
Fixed asset purchases	**(134)**	(155)
Change in short term investments (note 6)	**(43)**	64
Proceeds from fixed asset sales	**1**	5
Change in franchise investments and other receivables	**(17)**	(1)
Change in security deposits (note 6)	**14**	167
Other	**–**	(7)
Cash Flows (used in) from Investing Activities	**(179)**	73
Financing Activities		
Change in bank indebtedness	**–**	(10)
Change in short term debt (note 10)	**–**	370
Long term debt:		
Issued (note 11)	**23**	57
Retired (note 11)	**(29)**	(858)
Interest paid	**(63)**	(82)
Common shares:		
Issued (note 13)	**2**	3
Purchased for cancellation (note 13)	**(2)**	–
Cash Flows used in Financing Activities	**(69)**	(520)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(4)**	(2)
Change in Cash and Cash Equivalents	**(309)**	(430)
Cash and Cash Equivalents, Beginning of Period	**966**	857
Cash and Cash Equivalents, End of Period	**$ 657**	$ 427

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

Notes to the Unaudited Interim Period Condensed Consolidated Financial Statements

For the periods ended March 24, 2012 and March 26, 2011 (millions of Canadian dollars except where otherwise indicated)

Note 1. Nature and Description of the Reporting Entity

Loblaw Companies Limited is a Canadian public company incorporated in 1956 and is Canada's largest food distributor and a leading provider of drugstore, general merchandise and financial services. Its registered office is located at 22 St. Clair Avenue East, Toronto, Canada M4T 2S7. Loblaw Companies Limited and its subsidiaries are together referred to in these unaudited interim period condensed consolidated financial statements as the "Company" or "Loblaw".

The Company's parent is George Weston Limited which owns approximately 63% of the Company. The Company's ultimate parent is Wittington Investments, Limited. The remaining common shares are widely held.

The Company has two reportable operating segments: "Retail" and "Financial Services" (see note 18).

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. 2012 and 2011 are 52-week fiscal years. 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. 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.

Note 2. Significant Accounting Policies

The significant accounting policies as disclosed in the Company's 2011 annual financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements.

The Company's presentation and functional currency is Canadian dollars.

Statement of Compliance

The unaudited interim period condensed consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The unaudited interim period condensed consolidated financial statements should be read in conjunction with the Company's 2011 audited annual consolidated financial statements and accompanying notes.

These unaudited interim period condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors ("Board") on May 1, 2012.

Accounting Standards Implemented in 2012

Financial Instruments – Disclosures On October 7, 2010, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures", which increase the disclosure requirements for transactions involving transfers of financial assets to help users of the financial statements evaluate the risk exposures related to such transfers and the effect of those risks on an entity's financial position. These amendments are effective and have been implemented in the first quarter of 2012. For new disclosures, see note 7.

Deferred Tax – Recovery of Underlying Assets On December 20, 2010, the IASB issued amendments to IAS 12, "Income Taxes" ("IAS 12"), that introduce an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. These amendments are effective in the first quarter of 2012. As part of its transition to IFRS, the Company elected to account for its investment properties at cost and as such, the amendments did not have an impact on the Company's results of operations or financial conditions.

Critical Accounting Judgments, Estimates and Assumptions

The preparation of the unaudited interim period condensed consolidated financial statements requires management to make various judgments, estimates and assumptions in applying the Company's accounting policies which have an effect on the reported amounts and disclosures made in the unaudited interim period condensed consolidated financial statements and accompanying notes. These judgments, estimates and assumptions are based on management's historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances.

Material estimates and assumptions are made with respect to establishing the valuation of credit card receivables, the valuation of inventories, goodwill and indefinite life intangible assets, income and other taxes, impairment of fixed assets and other non-financial assets, financial instruments valuation and parameters used in the measurement of post-employment and other long-term employee benefits. These estimations depend upon subjective or complex judgments about matters that may be uncertain, and changes in those estimates could materially impact the unaudited interim period condensed consolidated financial statements. Illiquid credit markets, volatile equity, foreign currency, and energy markets and declines in consumer spending have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

Note 3. Net Interest Expense and Other Financing Charges

	March 24, 2012 (12 Weeks)	March 26, 2011 (12 Weeks)
Interest expense and other financing charges:		
Long term debt	**$ 66**	$ 63
Defined benefit and other long-term employee benefit plan obligations	**20**	21
Borrowings related to credit card receivables	**8**	13
Independent funding trusts	**4**	4
Dividends on capital securities	**3**	3
	101	104
Interest income:		
Expected return on pension benefit plan assets	**(18)**	(19)
Accretion income	**(4)**	(4)
Financial derivative instruments	**(3)**	(6)
Short term interest income	**(2)**	(2)
	(27)	(31)
Net interest expense and other financing charges	**$ 74**	$ 73

Note 4. Income Taxes

The effective income tax rate for the first quarter was 23.6% (2011 – 29.6%). The decrease in the effective income tax rate compared to the same period in 2011 was primarily due to further reductions in the Federal and Ontario statutory income tax rates and a decrease in income tax expense related to certain prior year income tax matters.

Note 5. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	**2012 (12 Weeks)**	2011 (12 Weeks)
Net earnings for basic earnings per share	**$ 126**	$ 162
Impact of dividends on capital securities	**–**	3
Impact of cash-settled share-based compensation	**–**	(3)
Net earnings for diluted earnings per share	**$ 126**	$ 162
Weighted average common shares outstanding (in millions)	**281.4**	280.6
Dilutive effect of capital securities (in millions)	**–**	6.2
Dilutive effect of share-based compensation (in millions)	**0.5**	0.8
Dilutive effect of dividend reinvestment plan (in millions)	**–**	0.4
Dilutive effect of certain other liabilities (in millions)	**1.0**	0.9
Diluted weighted average common shares outstanding (in millions)	**282.9**	288.9
Basic net earnings per common share ($)	**$ 0.45**	$ 0.58
Diluted net earnings per common share ($)	**$ 0.45**	$ 0.56

For the first quarter of 2012, 19,029,442 (2011 – 11,952,448) potentially dilutive instruments were excluded from the computation of diluted net earnings per common share, as they were anti-dilutive.

Note 6. Cash and Cash Equivalents, Short Term Investments and Security Deposits

The components of cash and cash equivalents, short term investments and security deposits were as follows:

Cash and Cash Equivalents

	As at March 24, 2012	As at March 26, 2011	As at December 31, 2011
Cash	**$ 194**	$ 68	$ 232
Cash equivalents:			
Bankers' acceptances	**37**	7	150
Government treasury bills	**180**	164	227
Bank term deposits	**57**	129	170
Corporate commercial paper	**164**	19	132
Government agencies securities	**–**	40	–
Other	**25**	–	55
Total cash and cash equivalents	**$ 657**	$ 427	$ 966

Short Term Investments

	As at March 24, 2012	As at March 26, 2011	As at December 31, 2011
Bankers' acceptances	**$ 15**	$ –	$ –
Government treasury bills	**342**	213	252
Corporate commercial paper	**206**	320	280
Government agencies securities	**217**	63	221
Other	**–**	82	1
Total short term investments	**$ 780**	$ 678	$ 754

Security Deposits

	As at March 24, 2012	As at March 26, 2011	As at December 31, 2011
Cash	**$ 98**	$ –	$ 85
Government treasury bills	**103**	126	108
Government agencies securities	**48**	58	73
Total security deposits	**$ 249**	$ 184	$ 266

Note 7. Credit Card Receivables

The Company, through President's Choice Bank ("PC Bank"), participates in various securitization programs that provide the primary source of funds for the operation of its credit card business. Under these securitization programs, a portion of the total interest in the credit card receivables is sold to several independent securitization trusts pursuant to co-ownership agreements. PC Bank transfers credit card receivables by selling them to and repurchasing them from independent securitization trusts. PC Bank is required to absorb credit card losses on the aggregate exposures in PC Bank's overall credit card receivables portfolios, therefore, the Company has not transferred substantially all of the risks and rewards relating to these assets. As a result, the Company continues to recognize these assets in credit card receivables and the transferred receivables are accounted for as secured financing transactions. The Company consolidates one of the independent securitization trusts, *Eagle Credit Card Trust ("Eagle")*, as a Special Purpose Entity as defined in IFRS Standing Interpretations Committee Interpretation 12 "Consolidated – Special Purpose Entities". The associated liabilities secured by these assets are included in either short term debt or long term debt based on their characteristics and are carried at amortized cost.

The components of credit card receivables were as follows:

	As at March 24, 2012	As at March 26, 2011	As at December 31, 2011
Total credit card receivables	**$ 2,024**	$ 1,920	$ 2,138
Allowance for credit card receivables	**(37)**	(33)	(37)
Net credit card receivables	**$ 1,987**	$ 1,887	$ 2,101
Securitized to independent securitization trusts			
Securitized to *Eagle*[(1)]	**600**	600	600
Securitized to Other Independent Securitization Trusts[(2)]	**905**	905	905

(1) The associated liability of *Eagle* is recorded in long term debt.

(2) The associated liabilities of Other Independent Securitization Trusts are recorded in short term debt.

The Company has arranged letters of credit representing 9% (March 26, 2011 – 9%; December 31, 2011 – 9%) of the outstanding securitized liability for the benefit of Other Independent Securitization Trusts on behalf of PC Bank in the amount of $81 million (March 26, 2011 – $81 million; December 31, 2011 – $81 million). In the event of a major decline in the income flow from or in the value of the securitized credit card receivables, the Other Independent Securitization Trusts can draw upon these letters of credit to recover up to a maximum of the amount outstanding as the associated liability. Under its securitization programs, PC Bank is required to maintain at all times a credit card receivable balance equal to a minimum of 107% of the outstanding securitized liability.

Note 8. Inventories

For inventories recorded as at March 24, 2012, the Company recorded $14 million (March 26, 2011 – $14 million) as an expense for the write-down of inventories below cost to net realizable value. The write-down was included in cost of merchandise inventories sold in the consolidated statements of earnings. There were no reversals of previously recorded write-downs of inventories during the periods ended March 24, 2012 and March 26, 2011.

Note 9. Other Assets

	As at March 24, 2012	As at March 26, 2011	As at December 31, 2011
Fair value of cross currency swaps (note 16)	**$ 112**	$ 185	$ 103
Sundry investments and other receivables	**146**	175	166
Defined benefit plan asset	**–**	6	–
Other	**35**	34	32
Other assets	**$ 293**	$ 400	$ 301

Note 10. Short Term Debt

During the first quarter of 2012, PC Bank did not securitize any credit card receivables or repurchase any co-ownership interest from independent securitization trusts. During the first quarter of 2011, PC Bank securitized $370 million credit card receivables and did not repurchase any co-ownership interest in the securitized credit card receivables from independent securitization trusts.

Note 11. Long Term Debt

Guaranteed Investment Certificates During the first quarter of 2012, PC Bank sold $1 million (2011 – $46 million), before nominal commissions (2011 – nominal) in Guaranteed Investment Certificates ("GICs") through independent brokers. In addition, during the first quarter of 2012, $14 million (2011 – nil) of GICs matured and were repaid. As at March 24, 2012, the Company had recorded in long term debt $263 million (March 26, 2011 – $64 million; December 31, 2011 – $276 million), before commissions of $2 million (March 26, 2011 – nil; December 31, 2011 – $2 million) of outstanding GICs, of which $42 million (March 26, 2011 – $19 million; December 31, 2011 – $46 million) was recorded as long term debt due within one year.

Independent Funding Trusts The gross principal amount of loans issued to the Company's independent franchisees by the independent funding trusts as at March 24, 2012 was $446 million (March 26, 2011 – $408 million; December 31, 2011 – $424 million). The Company has agreed to provide credit enhancement of $48 million (March 26, 2011 – $66 million; December 31, 2011 – $48 million) in the form of a standby letter of credit for the benefit of the independent funding trust representing not less than 10% (March 26, 2011 – 15%) of the principal amount of the loans outstanding.

Committed Credit Facility During the first quarter of 2012, the Company renewed and extended its existing $800 million committed credit facility to March 2017. The Company's key financial covenants under this agreement remained substantially the same. As at March 24, 2012, March 26, 2011 and December 31, 2011, the Company had not drawn on this facility.

Private Placement Notes As at March 24, 2012, $299 million (March 26, 2011 – $294 million; December 31, 2011 – $306 million) of private placement notes ("USPP") was recorded as long term debt.

Loblaw Companies Limited Notes During the first quarter of 2011, a $350 million 6.50% medium term note issued by the Company due January 19, 2011 matured and was repaid.

Independent Securitization Trust During the first quarter of 2011, $500 million senior and subordinated notes issued by *Eagle* due March 17, 2011 matured and were repaid.

Note 12. Other Liabilities

	As at March 24, 2012	As at March 26, 2011	As at December 31, 2011
Defined benefit plan liability (note 14)	**$ 551**	$ 332	$ 579
Other long term employee benefit liability	**118**	117	118
Deferred vendor allowances	**30**	38	32
Fair value of interest rate swap (note 16)	**16**	24	16
Share-based compensation liability (note 15)	**11**	11	15
Other	**159**	138	157
Other liabilities	**$ 885**	$ 660	$ 917

Note 13. Share Capital

Common Shares (authorized – unlimited) At the end of the first quarter of 2012, the Company's common shares issued and outstanding were 281,387,248 (March 26, 2011 – 280,653,139; December 31, 2011 – 281,385,318).

Dividends ($) During the first quarter of 2012, the Company's Board declared dividends of $0.21 (2011 – $0.21) per common share with a payment date of April 1, 2012 and $0.37 (2011 – $0.37) per Second Preferred Shares, Series A with a payment date of April 30, 2012. For financial statement presentation purposes, Second Preferred Shares, Series A dividends of $3 million (2011 – $3 million) are included as a component of net interest expense and other financing charges in the condensed consolidated statements of earnings (see note 3). Subsequent to the end of the first quarter of 2012, the Board declared a quarterly dividend of $0.21 per common share payable July 1, 2012, and $0.37 per Second Preferred Share, Series A, payable July 31, 2012.

Normal Course Issuer Bid ("NCIB") During the first quarter of 2012, the Company purchased for cancellation 54,908 (2011 – nil) common shares, resulting in a charge to retained earnings of $2 million (2011 – nil) for the premium on the common shares, and a nominal (2011 – nil) reduction in common share capital. Subsequent to the first quarter of 2012, the Company renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX"), or enter into equity derivatives to purchase up to 14,070,352 of the Company's common shares, representing approximately 5% of the common shares outstanding. In accordance with the rules and by-laws of the TSX, the Company may purchase its shares at the then market price of such shares.

Note 14. Post-Employment and Other Long Term Employee Benefits

The costs and actuarial gains related to the Company's post-employment and other long term employee benefits were recorded as follows:

	March 24, 2012 (12 weeks)	March 26, 2011 (12 weeks)
Post-employment benefit cost recognized in operating income	**$ 36**	$ 34
Other long term employee benefits cost recognized in operating income	**4**	5
Post-employment and other long term employee benefit costs included in net interest expense and other financing charges (note 3)	**2**	2
Actuarial gains before income taxes recognized in other comprehensive income	**(34)**	(6)

The post-employment benefit cost included costs for the Company's defined benefit plans, defined contribution pension plans and the multi-employer pension plans in which it participates. The other long term employee benefits cost included costs for the Company's long term disability plan. The actuarial gains recognized in other comprehensive income in the first quarter of 2012 and 2011 were primarily due to higher than expected return on assets.

Note 15. Share-Based Compensation

The Company's net share-based compensation expense recognized in selling, general and administrative expenses related to its stock option, Restricted Share Unit ("RSU"), including the equity forwards of Glenhuron Bank Limited's ("Glenhuron"), a wholly owned subsidiary of the Company, was:

	March 24, 2012 (12 Weeks)	March 26, 2011 (12 Weeks)
Stock option plan expense (income)	**$ 4**	$ (2)
Equity forwards expense	**5**	3
RSU plan expense (income)	**3**	(8)
Net share-based compensation expense (income)	**$ 12**	$ (7)

The carrying amount of the Company's share-based compensation arrangements including stock option, RSU, Performance Share Unit ("PSU"), Director Deferred Share Unit and Executive Deferred Share unit plans are recorded on the balance sheet as follows:

	As at March 24, 2012	As at March 26, 2011	As at December 31, 2011
Trade payables and other liabilities	**$ 17**	$ 12	$ 15
Other liabilities	**11**	11	15
Contributed surplus	**51**	44	48
	$ 79	$ 67	$ 78

Stock Option Plan Commencing February 22, 2011, the Company amended its stock option plan whereby the right to receive a cash payment in lieu of exercising an option for shares was removed. As a result, $42 million previously recorded in trade payables and other liabilities as well as other liabilities was reclassified to contributed surplus.

The following is a summary of the Company's stock option plan activity:

(Number of Options)	**March 24, 2012 (12 Weeks)**	March 26, 2011 (12 Weeks)
Outstanding options, beginning of period	**10,750,993**	9,320,865
Granted	**4,555,021**	3,095,267
Exercised	**(56,838)**	(75,009)
Forfeited	**(199,920)**	(256,361)
Expired	**(541,729)**	–
Outstanding options, end of period	**14,507,527**	12,084,762

During the first quarter of 2012, the Company granted 4,555,021 (2011 – 3,095,267) stock options at an exercise price of $34.93 (2011 – $39.27). The fair value as calculated under the Black-Scholes option valuation models was $27 million (2011 – $25 million). In addition, in the first quarter of 2012, the Company issued 56,838 (2011 – 75,009) common shares on the exercise of stock options and received cash consideration of $2 million (2011 – $3 million).

The assumptions used to measure the fair value of options granted during the first quarter of 2012 and the first quarter of 2011 under the Black-Scholes option valuation model at the grant date were as follows:

	March 24, 2012 (12 weeks)	March 26, 2011 (12 weeks)
Expected dividend yield	**2.4%**	2.1%
Expected share price volatility	**22.6% – 24.8%**	22.2% – 24.5%
Risk-free interest rate	**1.4% – 1.5%**	2.6% – 2.9%
Expected life of options	**4.4 – 6.4 years**	4.4 – 6.4 years

The expected dividend yield is estimated based on the annual dividend prior to the stock option grant date and the closing share price as at the stock option grant date.

The expected share price volatility is estimated based on the Company's historical volatility over a period consistent with the expected life of the options.

The risk-free interest rate is estimated based on the Government of Canada bond yield in effect at the grant date for a term to maturity equal to the expected life of the options.

The effect of expected exercise of options prior to expiry is incorporated into the weighted averaged expected life of the options, which is based on historical experience and general option holder behaviour.

Estimated forfeiture rates are incorporated into the measurement of the stock options expense. The forfeiture rate applied as at March 24, 2012 was 16.3% (March 26, 2011 – 16.2%; December 31, 2011 – 16.3%).

Equity Forward Contracts A summary of Glenhuron's equity forward contracts is as follows:

	As at March 24, 2012	As at March 26, 2011	As at December 31, 2011
Outstanding contracts (in millions)	**1.1**	1.5	1.1
Average forward price per share ($)	**$ 56.57**	$ 56.37	$ 56.38
Interest expense (income) per share ($)	**$ 0.14**	$ 0.15	$ (0.05)
Unrealized loss recorded in trade payables and other liabilities (millions of Canadian dollars)	**$ 25**	$ 27	$ 20

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

(Number of Awards)	March 24, 2012 (12 Weeks)	March 26, 2011 (12 Weeks)
RSUs, beginning of period	**1,119,496**	1,045,346
Granted	**375,684**	347,754
Settled	**(14,751)**	(268,331)
Forfeited	**(10,630)**	(20,461)
RSUs, end of period	**1,469,799**	1,104,308
RSUs, settled (millions of Canadian dollars)	**$ 1**	$ 10

As at March 24, 2012, the intrinsic value of vested RSUs was $22 million (March 26, 2011 – $16 million; December 31, 2011 – $22 million).

Performance Share Unit Plan During the first quarter of 2012, the Board approved a plan under which PSUs may be granted to certain senior employees. PSU grants entitle employees to a cash payment equal to the weighted average price of a Loblaw common share on the TSX in the five trading days preceding the end of a three year performance period multiplied by the number of units that vest. The number of units that vest will vary based on the achievement of specified performance measures. The Company recognizes a compensation expense in selling, general and administrative expenses for each PSU expected to vest equal to the market value of a Loblaw common share less the net present value of the expected dividend stream at the date on which PSUs are awarded to each participant. The compensation expense is prorated over the performance period reflecting changes in the market value of a Loblaw common share and the number of PSUs expected to vest until the end of the performance period based on the achievement of the associated performance measures. Forfeitures are estimated at the grant date and are revised to reflect a change in expected or actual forfeitures.

The following is a summary of the Company's PSU plan activity:

(Number of Awards)	March 24, 2012 (12 weeks)
PSUs, beginning of period	**–**
Granted	**50,818**
PSUs, end of period	**50,818**

As at March 24, 2012, the intrinsic value of vested PSUs was nil.

Note 16. Financial Instruments

Cross Currency Swaps Glenhuron holds cross currency swaps to exchange United States dollars (“USD”) for $1,213 million (March 26, 2011 – $1,210 million; December 31, 2011 – $1,252 million) Canadian dollars, which mature by 2018. During the first quarter of 2012, a fair value gain of $28 million (2011 – $21 million) was recognized in operating income relating to these cross currency swaps. In addition, during the first quarter of 2012, the Company recognized in operating income a foreign exchange translation loss of $25 million (2011 – $18 million) related to USD $1,078 million (March 26, 2011 – $1,045 million; December 31, 2011 – $1,073 million) of cash and cash equivalents, short-term investments and security deposits (note 6) held by Glenhuron.

In 2008, the Company entered into fixed cross currency swaps to exchange $296 million Canadian dollars for USD $300 million, which mature by 2015. During the first quarter of 2012, the Company recognized in operating income an unrealized fair value loss of $4 million (2011 – $9 million) on these cross currency swaps. In addition, during the first quarter of 2012, the Company recognized in operating income an unrealized foreign currency exchange translation gain of $7 million (2011 – $6 million) related to the $300 million USPP (note 11).

Interest Rate Swaps The Company maintains a notional $150 million (March 26, 2011 − $150 million; December 31, 2011 – $150 million) in interest rate swaps, on which it pays a fixed rate of 8.38%. During the first quarter of 2012, the Company recognized a nominal (2011 – nominal) fair value gain in operating income.

Equity Forward Contracts As at March 24, 2012, Glenhuron had equity forward contracts to purchase Loblaw common shares. See note 15 for details relating to these equity derivatives.

Note 17. Contingent Liabilities

The Company is involved in and potentially subject to various claims by third parties arising out of the normal course and conduct of its business including product liability, labour and employment, regulatory and environmental claims. In addition, the Company is involved in and potentially subject to regular audits from federal and provincial tax authorities relating to income, capital and commodity taxes and as a result of these audits may receive assessments and reassessments. Although such matters cannot be predicted with certainty, management currently considers the Company’s exposure to such claims and litigation, to the extent not covered by the Company’s insurance policies or otherwise provided for, not to be material to the unaudited interim period condensed consolidated financial statements.

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.

Tax and Regulatory The Company is subject to tax audits from various government and regulatory agencies on an ongoing basis. As a result, from time to time, taxing authorities may disagree with the positions and conclusions taken by the Company in its tax filings or change legislation, which could lead to reassessments. These reassessments may have a material impact on the Company in future periods.

Indemnification Provisions The Company from time to time enters into agreements in the normal course of its business, such as service and outsourcing arrangements and leases, in connection with business or asset acquisitions or dispositions. These agreements by their nature may provide for indemnification of counterparties. These indemnification provisions may be in connection with breaches of representation and warranty or with future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration and may extend for an unlimited period of time. Given the nature of such indemnification provisions, the Company is unable to reasonably estimate its total maximum potential liability as certain indemnification provisions do not provide for a maximum potential amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

Note 18. Segment Information

The Company has two reportable operating segments with all material operations carried out in Canada:

- 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.

The Company's chief operating decision maker evaluates segment performance on the basis of operating income, as reported to internal management, on a periodic basis. This performance measure is used as it is considered to be the most relevant in evaluating the results of the segments relative to other entities that operate within these industries.

Segment results and assets include items directly attributable to a segment as well as items that can be allocated on a reasonable basis. There are varying levels of integration between the Retail and Financial Services segments. This integration includes shared expenses relating to the Company's brands, loyalty program, store displays and certain administrative services. Intersegment transactions are accounted for at the transaction amount as if those transactions were with external parties.

Information regarding the operations of each reportable operating segment is included below.

	March 24, 2012 (12 Weeks)	March 26, 2011 (12 Weeks)
Revenue		
Retail	**$ 6,808**	$ 6,757
Financial services[1]	**129**	115
Consolidated	**$ 6,937**	$ 6,872

(1) Included in financial services revenue is $62 million (March 26, 2011 – $60 million) of interest income.

	March 24, 2012 (12 Weeks)	March 26, 2011 (12 Weeks)
Depreciation and Amortization		
Retail	**$ 168**	$ 151
Financial services	**2**	1
Consolidated	**$ 170**	$ 152

	March 24, 2012 (12 Weeks)	March 26, 2011 (12 Weeks)
Operating Income		
Retail	**$ 225**	$ 285
Financial services	**14**	18
Consolidated	**$ 239**	$ 303

	March 24, 2012 (12 Weeks)	March 26, 2011 (12 Weeks)
Net Interest Expense and Other Financing Charges		
Retail	**$ 64**	$ 60
Financial services	**10**	13
Consolidated	**$ 74**	$ 73

	As at March 24, 2012	As at March 26, 2011	As at December 31, 2011
Total Assets			
Retail	**$ 14,575**	$ 14,043	$ 15,098
Financial services	**2,303**	1,992	2,330
Consolidated	**$ 16,878**	$ 16,035	$ 17,428

	March 24, 2012 (12 Weeks)	March 26, 2011 (12 Weeks)
Additions to Fixed Assets and Goodwill		
Retail	**$ 131**	$ 154
Financial services	**3**	1
Consolidated	**$ 134**	$ 155

Earnings Coverage Exhibit to the Unaudited Interim Period Condensed Consolidated Financial Statements

The following is the Company's updated earnings coverage ratio for the rolling 52 week period ended March 24, 2012 in connection with the Company's Short Form Base Shelf Prospectus dated November 25, 2010.

Earnings Coverage on financial liabilities	3.77 times

The earnings coverage ratio on financial liabilities is equal to net earnings before interest on short term debt, interest on long term debt, dividends on capital securities and income taxes divided by interest on short term debt, interest on long term debt and dividends on capital securities as shown in the notes to the condensed consolidated financial statements of the Company for the period.

Financial Summary[1]

As at or for the periods ended March 24, 2012 and March 26, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	2012 (12 weeks)	2011 (12 weeks)
Consolidated Results of Operations		
Revenue	**$ 6,937**	$ 6,872
Operating income	**239**	303
EBITDA[2]	**409**	455
Net interest expense and other financing charges	**74**	73
Net earnings	**126**	162
Consolidated Financial Position and Cash Flow		
Working capital[1]	**1,825**	1,375
Adjusted debt[2]	**4,778**	4,720
Cash and cash equivalents, short term investments and security deposits	**1,686**	1,289
Cash flows (used in) from operating activities	**(57)**	19
Capital investment	**134**	155
Free cash flow[2]	**(305)**	(246)
Consolidated Per Common Share ($)		
Basic net earnings	**0.45**	0.58
Consolidated Financial Measures and Ratios		
Revenue growth (decline)	**0.9%**	(0.6%)
Operating margin[1]	**3.4%**	4.4%
EBITDA margin[2]	**5.9%**	6.6%
Adjusted debt[2] to rolling year EBITDA[2]	**2.3x**	2.4x
Adjusted debt[2] to equity[2]	**0.8:1**	0.8:1
Interest coverage[2]	**3.2x**	4.2x
Rolling year return on average net assets[2]	**11.1%**	11.8%
Rolling year return on average shareholders' equity	**12.4%**	13.0%
Retail Results of Operations		
Sales	**6,808**	6,757
Gross profit	**1,529**	1,554
Operating income	**225**	285
Retail Operating Statistics		
Same-store sales decline	**(0.7%)**	(0.1%)
Gross profit percentage	**22.5%**	23.0%
Operating margin[1]	**3.3%**	4.2%
Retail square footage (in millions)	**51.3**	50.7
Number of corporate stores	**585**	574
Number of franchise stores	**462**	453
Financial Services Results of Operations		
Revenue	**129**	115
Operating income	**14**	18
Earnings before income taxes	**4**	5
Financial Services Operating Measures and Statistics		
Average quarterly net credit card receivables	**2,004**	1,942
Credit card receivables	**1,987**	1,887
Allowance for credit card receivables	**37**	33
Annualized yield on average quarterly gross credit card receivables[1]	**13.1%**	12.6%
Annualized credit loss rate on average quarterly gross credit card receivables[1]	**4.5%**	4.6%

(1) For financial definitions and ratios refer to the Glossary of Terms on page 120 of the 2011 Annual Report – Financial Review.
(2) See Non-GAAP Financial Measures on page 18 of the Management's Discussion and Analysis in this report.

Corporate Profile

Loblaw Companies Limited, a subsidiary of George Weston Limited, is Canada's largest food retailer and a leading provider of drugstore, general merchandise and financial products and services. Loblaw is one of the largest private sector employers in Canada, employing approximately 135,000 full-time and part-time employees across 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 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 has two reportable operating segments: Retail and Financial Services. The Retail segment consists primarily of food and also includes drugstore, gas bars, apparel and other general merchandise. The Financial Services segment 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.

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.	Toll free: 1-800-564-6253
100 University Avenue	(Canada and U.S)
Toronto, Canada	Fax: (416) 263-9394
M5J 2Y1	Toll free fax: 1-888-453-0330
International direct dial:	(514) 982-7555

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, Vice President, 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 Centre section of the Company's website www.loblaw.ca.

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on May 2, 2012 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, access code: 65409659. To access via audio webcast please visit the Investor Centre section of www.loblaw.ca. Pre-registration will be available.

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

Annual and Special Meeting of Shareholders

The 2012 Annual and Special Meeting of Shareholders of Loblaw Companies Limited will be held on Thursday, May 3, 2012 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, access code: 65429438. To access via audio webcast please visit the Investor Centre section of www.loblaw.ca. Pre-registration will be available.

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