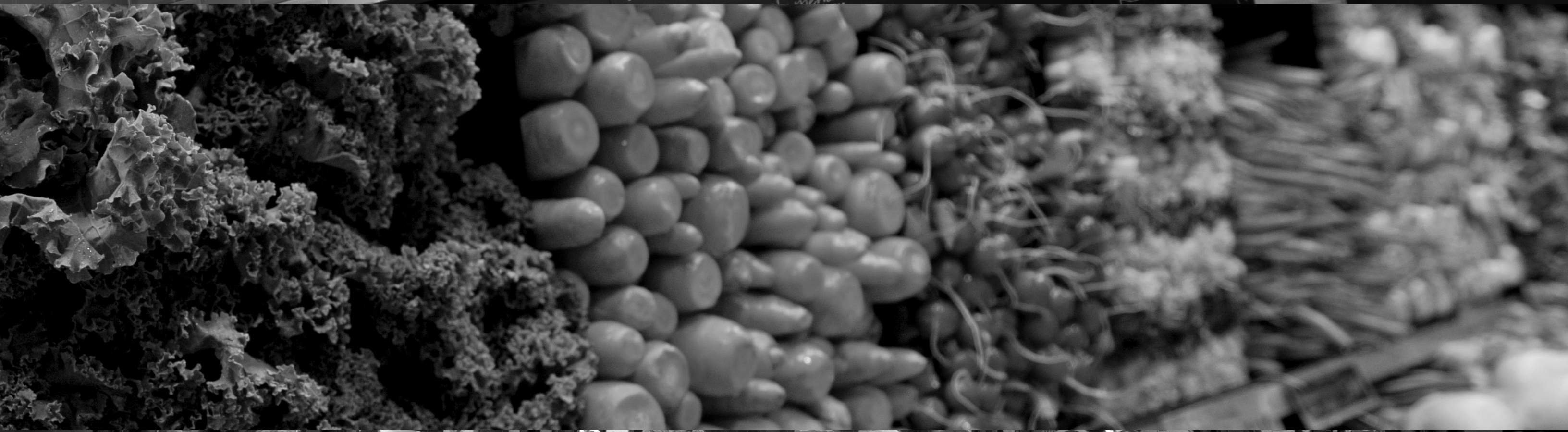
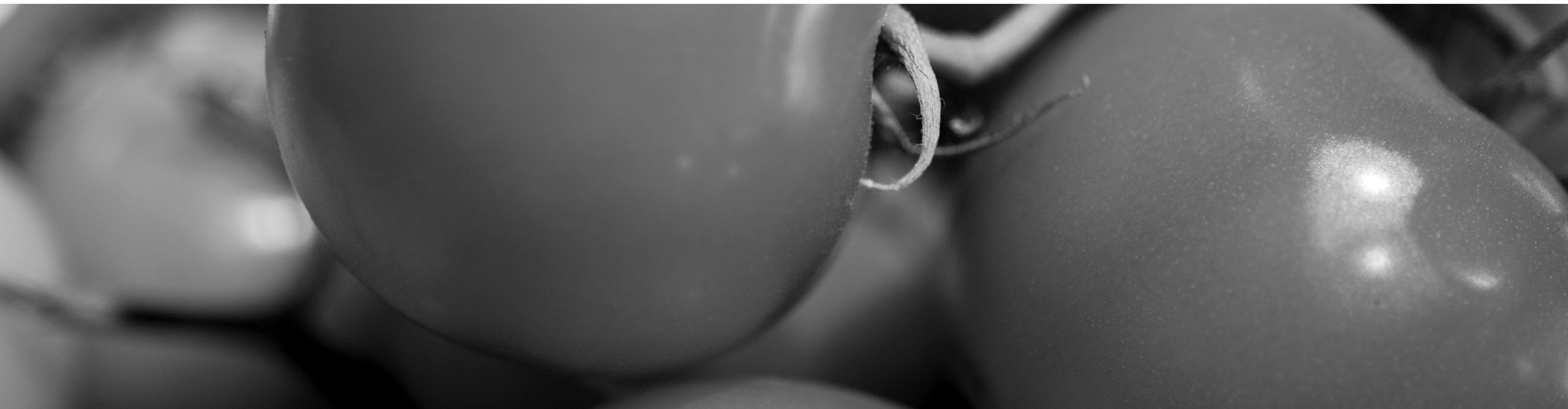



Q2 SECOND QUARTER REPORT TO SHAREHOLDERS
24 weeks ending June 16, 2012

Loblaw
COMPANIES LIMITED



2012 Second Quarter Report to Shareholders

2012 Second Quarter Summary[1]

- Basic net earnings per common share of $0.57, down 18.6% compared to the second quarter of 2011.
- EBITDA margin[2] of 6.4% compared to 6.9% in the second quarter of 2011.
- Revenue of $7,375 million, an increase of 1.3% over the second quarter of 2011.
- Retail sales and same-store sales growth of 1.1% and 0.2%, respectively, compared to the second quarter of 2011.

"In the second quarter we continued to execute our plan," said Galen G. Weston, Executive Chairman, Loblaw Companies Limited. "We are beginning to gain traction on the top-line, particularly in our core food and drug businesses, as we continued our disciplined approach to improving our customer proposition. We remain confident that our ongoing investments in infrastructure, including the completion of our IT implementation, will enable efficiencies and expense leverage to drive future earnings growth. Our outlook for 2012 is unchanged – we continue to expect full-year net earnings to be down year-over-year."

Consolidated Quarterly Results of Operations

For the periods ended June 16, 2012 and June 18, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (12 weeks)**	2011 (12 weeks)	$ Change	% Change	**2012 (24 weeks)**	2011 (24 weeks)	$ Change	% Change
Revenue	**$ 7,375**	$ 7,278	$ 97	1.3%	**$ 14,312**	$ 14,150	$ 162	1.1%
Operating income	**290**	345	(55)	(15.9%)	**529**	648	(119)	(18.4%)
Net earnings	**159**	197	(38)	(19.3%)	**285**	359	(74)	(20.6%)
Basic net earnings per common share ($)	**0.57**	0.70	(0.13)	(18.6%)	**1.01**	1.28	(0.27)	(21.1%)
Operating margin	**3.9%**	4.7%			**3.7%**	4.6%		
EBITDA[2]	**$ 469**	$ 504	$ (35)	(6.9%)	**$ 878**	$ 959	$ (81)	(8.4%)
EBITDA margin[2]	**6.4%**	6.9%			**6.1%**	6.8%		

- The $97 million increase in revenue compared to the second quarter of 2011 was driven by increases in both the Company's Retail and Financial Services operating segments, as described below.
- As previously disclosed, for full-year 2012, the Company expects that $40 million of incremental investment in its customer proposition will not be covered by operations. Of this amount, $15 million was incurred in the second quarter of 2012, $10 million of which was in gross profit and $5 million in labour. Year-to-date the amount is an estimated $25 million.
- Operating income decreased by $55 million compared to the second quarter of 2011 as a result of a decrease in Retail operating income of $58 million and an increase in Financial Services operating income of $3 million. Operating margin was 3.9% for the second quarter of 2012 compared to 4.7% in the same quarter in 2011. The $58 million decrease in Retail operating income was mainly driven by an increase in labour and other operating costs, declines in gross profit and foreign exchange gains and the notable items as described below, partially offset by 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 6 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 20 of this report.

- Consolidated operating income included the following notable items:
  - Incremental costs of $20 million related to investments in information technology ("IT") and supply chain, including the following charges:
    - $66 million (2011 – $60 million) related to IT costs;
    - $52 million (2011 – $38 million) related to depreciation and amortization;
    - $6 million (2011 – $2 million) related to changes in the distribution network; and
    - $2 million (2011 – $6 million) related to other supply chain projects costs;
  - A $10 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;
  - A $5 million charge (2011 –$15 million) related to the effect of share-based compensation net of equity forwards; and
  - A nil charge (2011 – $15 million) related to certain prior years' commodity tax matters.

- The decrease in net earnings of $38 million compared to the second 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 $0.05 charge related to incremental investments in IT and supply chain;
  - A $0.02 charge (2011 – nil) related to the transition of certain Ontario conventional stores to the operating terms under collective agreements ratified in 2010;
  - A $0.02 charge (2011 – $0.04) related to the effect of share-based compensation net of equity forwards; and
  - A nil charge (2011 – $0.04) related to certain prior years' commodity tax matters.

- In the second quarter of 2012, the Company invested $233 million in capital expenditures.

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

Retail Results of Operations

For the periods ended June 16, 2012 and June 18, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (12 weeks)**	2011 (12 weeks)	$ Change	% Change	**2012 (24 weeks)**	2011 (24 weeks)	$ Change	% Change
Sales	**$ 7,236**	$ 7,157	$ 79	1.1%	**$ 14,044**	$ 13,914	$ 130	0.9%
Gross profit	**1,611**	1,626	(15)	(0.9%)	**3,140**	3,180	(40)	(1.3%)
Operating income	**275**	333	(58)	(17.4%)	**500**	618	(118)	(19.1%)
Same-store sales growth (decline)	**0.2%**	(0.4%)			**(0.3%)**	(0.3%)		
Gross profit percentage	**22.3%**	22.7%			**22.4%**	22.9%		
Operating margin	**3.8%**	4.7%			**3.6%**	4.4%		

- In the second quarter of 2012, the increase of $79 million, or 1.1%, in Retail sales over the same period in the prior year was impacted by the following factors:
  - Same-store sales growth was 0.2% (2011 – 0.4% decline);
  - Sales growth in food was moderate;
  - Sales growth in drugstore was modest;
  - Gas bar sales declined marginally;
  - Sales in general merchandise, excluding apparel, declined moderately;
  - Sales in apparel were flat;

- The Company experienced modest average quarterly internal food price inflation during the second quarter of 2012 and moderate average quarterly food price inflation during the second quarter of 2011, lower than the average quarterly national food price inflation of 2.5% (2011 – 4.0%) 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
- 22 corporate and franchise stores were opened and seven corporate and franchise stores were closed in the last twelve months, resulting in a net increase of 0.4 million square feet, or 0.8%.

- In the second quarter of 2012, gross profit decreased by $15 million compared to the second quarter of 2011 and gross profit percentage was 22.3%, a decline from 22.7% in the second quarter of 2011. These declines were primarily driven by higher input costs outpacing internal food price inflation and increased transportation costs. Higher input costs that were not entirely passed on to the consumer included an estimated $10 million of the incremental investment in the Company's customer proposition that was not covered by operations. The decline in gross profit percentage was also attributable to a higher proportion of food sales.

- Operating income decreased by $58 million compared to the second quarter of 2011 and operating margin was 3.8% for the second quarter of 2012 compared to 4.7% 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 an increase in labour and other operating costs and decreases in gross profit and foreign exchange gains, partially offset by changes in the value of the Company's investments in its franchise business. The increase in labour costs included an estimated $5 million of the incremental investment in the Company's customer proposition related to improved service in stores that was not covered by operations.

Financial Services Results of Operations

For the periods ended June 16, 2012 and June 18, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (12 weeks)**	2011 (12 weeks)	$ Change	% Change	**2012 (24 weeks)**	2011 (24 weeks)	$ Change	% Change
Revenue	**$ 139**	$ 121	$ 18	14.9%	**$ 268**	$ 236	$ 32	13.6%
Operating income	**15**	12	3	25.0%	**29**	30	(1)	(3.3%)
Earnings before income taxes	**4**	2	2	100.0%	**8**	7	1	14.3%

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**As at June 16, 2012**	As at June 18, 2011	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,049**	$ 1,953	$ 96	4.9%
Credit card receivables	**2,058**	1,974	84	4.3%
Allowance for credit card receivables	**36**	33	3	9.1%
Annualized yield on average quarterly gross credit card receivables	**12.7%**	12.6%		
Annualized credit loss rate on average quarterly gross credit card receivables	**4.4%**	4.8%		

- Revenue for the second quarter of 2012 increased by 14.9% compared to the second quarter of 2011. The increase 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 for the second quarter of 2012 increased by $3 million compared to the second quarter of 2011. The increase was as a result of the increase in revenue as described above, partially offset by higher *PC* Points loyalty costs and operational costs related to an increase in active accounts.

- Earnings before income taxes increased by $2 million in the second quarter of 2012 compared to the second quarter of 2011. The increase was primarily a result of the increase in operating income, partially offset by an increase in net interest and other financing charges.

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;
  - $40 million of incremental investment in its customer proposition will not be covered by operations; 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 6 of this report.

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 second 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 second 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 July 24, 2012, unless otherwise noted.

Forward-Looking Statements

This Quarterly Report for the Company 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;
- $40 million of incremental costs associated with strengthening its customer proposition will not be covered by operations; 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.

(1) See Non-GAAP Financial Measures on page 20 of this report.

The forward-looking statements contained in this Quarterly Report 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 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.

Key Financial Performance Indicators

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

As at or for the periods ended June 16, 2012 and June 18, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012** **(12 weeks)**	2011 (12 weeks)
Consolidated:		
Revenue growth	**1.3%**	0.1%
Operating income	**290**	345
Operating margin(1)	**3.9%**	4.7%
EBITDA(2)	**469**	504
EBITDA margin(2)	**6.4%**	6.9%
Net earnings	**159**	197
Basic net earnings per common share(1) ($)	**0.57**	0.70
Working capital(2)	**1,696**	1,697
Cash and cash equivalents, short term investments and security deposits	**1,885**	1,656
Cash flows from operating activities	**599**	481
Adjusted debt(2)	**4,822**	4,725
Adjusted debt(2) to rolling year EBITDA(2)	**2.4x**	2.3x
Adjusted debt(2) to equity(2)	**0.8:1**	0.8:1
Free cash flow(2)	**437**	407
Interest coverage(2)	**3.7x**	4.4x
Rolling year return on average net assets(2)	**10.7%**	12.0%
Rolling year return on average shareholders' equity	**11.6%**	13.0%
Retail Segment:		
Same-store sales growth (decline)	**0.2%**	(0.4%)
Gross profit	**$ 1,611**	$ 1,626
Gross profit percentage	**22.3%**	22.7%
Operating margin(1)	**3.8%**	4.7%
Financial Services Segment:		
Annualized yield on average quarterly gross credit card receivables(1)	**12.7%**	12.6%
Annualized credit loss rate on average quarterly gross credit card receivables(1)	**4.4%**	4.8%

(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 20 of this report.

Consolidated Results of Operations

For the periods ended June 16, 2012 and June 18, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (12 weeks)**	2011 (12 weeks)	$ Change	% Change	**2012 (24 weeks)**	2011 (24 weeks)	$ Change	% Change
Revenue	**$ 7,375**	$ 7,278	$ 97	1.3%	**$ 14,312**	$ 14,150	$ 162	1.1%
Operating income	**290**	345	(55)	(15.9%)	**529**	648	(119)	(18.4%)
Net earnings	**159**	197	(38)	(19.3%)	**285**	359	(74)	(20.6%)
Basic net earnings per common share ($)	**0.57**	0.70	(0.13)	(18.6%)	**1.01**	1.28	(0.27)	(21.1%)
Operating margin	**3.9%**	4.7%			**3.7%**	4.6%		
EBITDA(1)	**$ 469**	$ 504	(35)	(6.9%)	**$ 878**	$ 959	(81)	(8.4%)
EBITDA margin(1)	**6.4%**	6.9%			**6.1%**	6.8%		

Revenue The $97 million increase in revenue compared to the second quarter of 2011 and the $162 million increase for the first two quarters of the year compared to the same period in 2011 were driven by increases in both the Company's Retail and Financial Services operating segments, as described below.

Operating Income Operating income decreased by $55 million compared to the second quarter of 2011. Year-to-date operating income decreased by $119 million compared to 2011. Retail operating income decreased by $58 million compared to the second quarter of 2011 and $118 million year-to-date. Financial Services operating income increased by $3 million compared to the second quarter of 2011 and decreased by $1 million year-to-date. Operating margin was 3.9% for the second quarter of 2012 compared to 4.7% in the same quarter in 2011 and 3.7% year-to-date compared to 4.6% in 2011.

As previously disclosed, for full-year 2012, the Company expects an incremental investment of $40 million in its customer proposition that will not be covered by operations. In the second quarter of 2012, the Company's incremental investment in its customer proposition that was not covered by operations was an estimated $15 million, $10 million in gross profit and $5 million in labour. Year-to-date this investment was an estimated $25 million.

Consolidated operating income included the following notable items:

- Incremental costs of $20 million during the second quarter and $15 million year-to-date related to investments in IT and supply chain including the following charges:
  - $66 million (2011 – $60 million) in the second quarter and $137 million (2011 – $121 million) year-to-date related to IT costs;
  - $52 million (2011 – $38 million) in the second quarter and $98 million (2011 – $74 million) year-to-date related to depreciation and amortization;
  - $6 million (2011 – $2 million) in the second quarter and $9 million (2011 – $23 million) year-to-date related to changes in the distribution network; and
  - $2 million (2011 – $6 million) in the second quarter and $5 million (2011 – $16 million) year-to-date related to other supply chain project costs;
- A $10 million charge (2011 – nil) in the second quarter and $25 million (2011 – nil) year-to-date 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;
- A $5 million charge (2011 – $15 million) in the second quarter and $17 million (2011 – $8 million) year-to-date related to the effect of share-based compensation net of equity forwards;
- A nil charge (2011 – $15 million) in the second quarter and year-to-date related to certain prior years' commodity tax matters; and
- A nil charge (2011 – $8 million) year-to-date related to an internal re-alignment of the Retail segment into a two division structure: conventional and discount.

(1) See Non-GAAP Financial Measures on page 20 of this report.

Net Interest Expense and Other Financing Charges In the second quarter of 2012, net interest expense and other financing charges decreased by $1 million, or 1.3%, to $77 million compared to the second quarter of 2011. Year-to-date net interest and other financing charges were $151 million, consistent with 2011.

Income Taxes The second quarter and year-to-date income tax expenses were $54 million (2011 – $70 million) and $93 million (2011 – $138 million) respectively. The effective income tax rates for the second quarter and year-to-date 2012 were 25.4% (2011 – 26.2%) and 24.6% (2011 – 27.8%), respectively. The decreases in the effective income tax rates for both the second quarter and year-to-date compared to the same periods in 2011 were 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 second quarter of 2012, the Ontario government substantively enacted the deferral of certain reductions in corporate income tax rates. This deferral is not expected to have a significant impact on the Company's net earnings.

Net Earnings Net earnings for the second quarter of 2012 decreased by $38 million, or 19.3%, compared to the second quarter of 2011 and decreased on a year-to-date basis by $74 million, or 20.6% compared to the same period in 2011. Basic net earnings per common share for the second quarter decreased by 18.6%, to $0.57 from $0.70 in the second quarter of 2011 and year-to-date decreased by 21.1% to $1.01 compared to $1.28 for the same period last year.

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

- A $0.05 charge in the second quarter and $0.04 year-to-date related to incremental costs related to the incremental investments in IT and supply chain;
- A $0.02 charge (2011 – nil) in the second quarter and $0.06 (2011 – nil) year-to-date related to the transition of certain Ontario conventional stores under collective agreements ratified in the third quarter of 2010;
- A $0.02 (2011 – $0.04) charge in the second quarter and $0.06 (2011 – $0.03) year-to-date for the effect of share-based compensation net of equity forwards;
- A nil charge (2011 – $0.04) in the second quarter and year-to-date related to certain prior years' commodity tax matters; and
- A nil year-to-date charge (2011 – $0.02) related to the re-alignment of the Retail segment.

Reportable Operating Segments

Retail

For the periods ended June 16, 2012 and June 18, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (12 weeks)**	2011 (12 weeks)	$ Change	% Change	**2012 (24 weeks)**	2011 (24 weeks)	$ Change	% Change
Sales	**$ 7,236**	$ 7,157	$ 79	1.1%	**$ 14,044**	$ 13,914	$ 130	0.9%
Gross profit	**1,611**	1,626	(15)	(0.9%)	**3,140**	3,180	(40)	(1.3%)
Operating income	**275**	333	(58)	(17.4%)	**500**	618	(118)	(19.1%)
Same-store sales growth (decline)	**0.2%**	(0.4%)			**(0.3%)**	(0.3%)		
Gross profit percentage	**22.3%**	22.7%			**22.4%**	22.9%		
Operating margin(1)	**3.8%**	4.7%			**3.6%**	4.4%		

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

Sales In the second quarter of 2012, the increase in Retail sales of $79 million, or 1.1%, over the same period in the prior year was impacted by the following factors:

- Same-store sales growth was 0.2% (2011 – 0.4% decline);
- Sales growth in food was moderate;
- Sales growth in drugstore was modest;
- Gas bar sales declined marginally;
- Sales in general merchandise, excluding apparel, declined moderately;
- Sales in apparel were flat;
- The Company experienced modest average quarterly internal food price inflation during the second quarter of 2012 and moderate average quarterly food price inflation during the second quarter of 2011, lower than the average quarterly national food price inflation of 2.5% (2011 – 4.0%) 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
- 22 corporate and franchise stores were opened and seven corporate and franchise stores were closed in the last twelve months, resulting in a net increase of 0.4 million square feet, or 0.8%.

On a year-to-date basis, sales increased by $130 million, or 0.9%, compared to the same period in 2011 driven primarily by the factors noted above. Year-to-date same-store sales declined by 0.3% (2011 – 0.3%).

Gross Profit In the second quarter of 2012, gross profit decreased by $15 million compared to the second quarter of 2011 and gross profit percentage was 22.3%, a decline from 22.7% in the second quarter of 2011. Year-to-date gross profit decreased by $40 million and gross profit percentage was 22.4% compared to 22.9% in the comparable period of 2011. These declines were primarily driven by higher input costs outpacing internal food price inflation and increased transportation costs. Higher input costs that were not entirely passed on to the consumer included an estimated $10 million in the second quarter of 2012 and $20 million year-to-date of the incremental investment in the Company's customer proposition that were not covered by operations. The declines in gross profit percentage for the second quarter and year-to-date were also attributable to a higher proportion of food sales.

Operating Income Operating income decreased by $58 million compared to the second quarter of 2011 and operating margin was 3.8% for the second quarter of 2012 compared to 4.7% in the same period in 2011. Year-to-date operating income for 2012 decreased by $118 million and operating margin was 3.6% compared to 4.4% in the comparable 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 an increase in labour and other operating costs and decreases in gross profit and foreign exchange gains, partially offset by changes in the value of the Company's investments in its franchise business. In the second quarter of 2012, the increase in labour costs included an estimated $5 million of the incremental investment in the Company's customer proposition related to improved service in stores that was not covered by operations.

Financial Services

For the periods ended June 16, 2012 and June 18, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (12 weeks)**	2011 (12 weeks)	$ Change	% Change	**2024 (24 weeks)**	2011 (24 weeks)	$ Change	% Change
Revenue	**$ 139**	$ 121	$ 18	14.9%	**$ 268**	$ 236	$ 32	13.6%
Operating income	**15**	12	3	25.0%	**29**	30	(1)	(3.3%)
Earnings before income taxes	**4**	2	2	100.0%	**8**	7	1	14.3%

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**As at June 16, 2012**	As at June 18, 2011	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,049**	$ 1,953	$ 96	4.9%
Credit card receivables	**2,058**	1,974	84	4.3%
Allowance for credit card receivables	**36**	33	3	9.1%
Annualized yield on average quarterly gross credit card receivables	**12.7%**	12.6%		
Annualized credit loss rate on average quarterly gross credit card receivables	**4.4%**	4.8%		

Revenue Revenue for the second quarter of 2012 increased by 14.9% compared to the second quarter of 2011. Year-to-date revenue increased by 13.6% compared to 2011. The increases were 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 for the second quarter of 2012 increased by $3 million compared to the second quarter of 2011. The increase was as a result of the increase in revenue described above, partially offset by increased *PC* Points loyalty costs and operational costs related to an increase in active accounts. Year-to-date operating income decreased by $1 million compared to 2011. The decrease was mainly attributable to the investments in the launch of the Mobile Shop kiosks, increased *PC* Points loyalty costs and operational costs, partially offset by higher revenue described above.

Earnings Before Income Taxes Earnings before income taxes increased by $2 million in the second quarter of 2012 compared to the second quarter of 2011, primarily driven by the increase in operating income, partially offset by an increase in net interest and other financing charges. Year-to-date earnings before income taxes increased by $1 million compared to 2011, as a result of a decrease in net interest expense and other financing charges, partially offset by the decrease in operating income.

Financial Condition

Working Capital(1) As at June 16, 2012, working capital(1) was $1,696 million compared to $1,697 million as at June 18, 2011, relatively flat year-over-year as cash flows from operating activities funded fixed asset purchases, dividends and interest paid and the purchase of intangible assets during the last twelve months. Working capital was also impacted by an increase in long term debt due within one year attributable to a USD $150 million private placement note maturing in the second quarter of 2013.

Free Cash Flow(1) For the second quarter of 2012, free cash flow(1) was $437 million compared to $407 million in the second quarter of 2011, an increase of $30 million. The quarter-over-quarter increase was primarily due to the change in non-cash working capital requirements, partially offset by the year-over-year decrease in EBITDA(2) and increase in fixed asset purchases. Year-to-date free cash flow(1) decreased by $29 million in 2012, to $132 million, from $161 million in 2011. In addition to the above noted factors, the year-to-date decrease was also impacted by an increase in income taxes paid.

Adjusted Debt(1) As at June 16, 2012, adjusted debt(1) was $4,822 million compared to $4,725 million as at June 18, 2011, and $4,765 million as at December 31, 2011. These increases were primarily due to net issuances in long term debt and additional capital lease obligations.

(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 20 of this report.

Dividends During the second 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 July 1, 2012 and $0.42 (2011 – $0.42) year-to-date per common share and $0.37 (2011 – $0.37) per Second Preferred Shares, Series A with a payment date of July 31, 2012 and $0.74 (2011 – $0.74) year-to-date per Second Preferred Shares, Series A. For financial statement presentation purposes, Second Preferred Shares, Series A dividends of $4 million (2011 – $4 million) and $7 million (2011 – $7 million) for the 12 and 24 weeks ended June 16, 2012 and June 18, 2011, respectively, are included as a component of net interest and other financing charges in the consolidated statements of earnings. Subsequent to the end of the second quarter of 2012, the Board declared a quarterly dividend of $0.21 per common share payable October 1, 2012 and $0.37 per Second Preferred Share, Series A, payable October 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 second quarter of 2012, the Company purchased for cancellation 56,838 (2011 – 80,000) and 111,746 (2011 – 80,000) year-to-date common shares, resulting in a charge to retained earnings of $1 million (2011 – nil) and $3 million (2011 – nil) year-to-date for the premium on the common shares, and $1 million (2011 – $3 million) and $1 million (2011 – $3 million) year-to-date reduction in common share capital. During the second 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 (2011 – 14,096,437) 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 – Amendment At the Company's Annual and Special Meeting of Shareholders on May 3, 2012, the shareholders approved an amendment to the Company's employee stock option plan that increased the total number of common shares authorized for issuance under the plan by 14,428,484 to 28,137,162 common shares. This amendment increased the Company's 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 USD for $1,219 million (June 18, 2011 – $1,210 million; December 31, 2011 – $1,252 million) Canadian dollars, which mature by 2019. During the second quarter of 2012, a fair value loss of $28 million (2011 – gain of $1 million) and a nominal gain (2011 – $22 million) year-to-date was recognized in operating income relating to these cross currency swaps. In addition, during the second quarter of 2012, the Company recognized in operating income a foreign exchange translation gain of $25 million (2011 – loss of $2 million) and a nominal gain (2011 – loss of $20 million) year-to-date related to USD $1,083 million (June 18, 2011 – $1,046 million; December 31, 2011 – $1,073 million) of cash and cash equivalents, short term investments and security deposits primarily 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 second quarter of 2012, the Company recognized in operating income an unrealized fair value gain of $6 million (2011 – $3 million) and $2 million (2011 – loss of $6 million) year-to-date on these cross currency swaps. In addition, during the second quarter of 2012, the Company recognized in operating income an unrealized foreign currency exchange translation loss of $7 million (2011 – nominal gain) and a nominal loss (2011 – gain of $6 million) year-to-date related to USD $300 million fixed-rate private placement notes.

Interest Rate Swaps The Company maintains a notional $150 million (June 18, 2011 − $150 million; December 31, 2011 – $150 million) in interest rate swaps, on which it pays a fixed rate of 8.38%. During the second quarter of 2012, the Company recognized a $3 million (2011 – $2 million) and $3 million (2011 – $2 million) year-to-date fair value gain in operating income related to these swaps.

Equity Forward Contracts As at June 16, 2012, Glenhuron, had cumulative equity forward contracts to buy 1.1 million (June 18, 2011 – 1.5 million; December 31, 2011 – 1.1 million) of the Company's common shares at an average forward price of $56.55 (June 18, 2011 – $56.36; December 31, 2011 – $56.38), including interest expense of $0.12 (June 18, 2011 – $0.14; December 31, 2011 – income of $0.05) per common share. As at June 16, 2012, the cumulative interest and unrealized market loss of $26 million (June 18, 2011 – $26 million; December 31, 2011 – $20 million) was included in trade payables and other liabilities. During the second quarter of 2012, a fair value loss of $1 million (2011 – gain of $1 million) and $6 million year-to-date (2011 – $2 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	**2012 (24 weeks)**	2011 (24 weeks)	$ Change	% Change
Cash flows (used in) from:								
Operating activities	**$ 599**	$ 481	$ 118	24.5%	**$ 542**	$ 500	$ 42	8.4%
Investing activities	**(152)**	(152)	–	–	**(331)**	(79)	(252)	(319.0%)
Financing activities	**(185)**	18	(203)	(1,127.8%)	**(254)**	(502)	248	49.4%

Cash Flows from Operating Activities Cash flows from operating activities for the second quarter of 2012 were $599 million, which included EBITDA(1) of $469 million and greater non-cash working capital of $241 million, partially offset by an increase of $71 million in credit card receivables and income taxes paid of $53 million. The change in non-cash working capital was primarily due to an increase in accounts payable and other liabilities and a decrease in inventories, partially offset by increases in accounts receivables and prepaid expenses and other assets.

The $118 million increase over the second quarter of 2011 and the $42 million year-to-date increase in cash flows from operating activities were mainly due to higher non-cash working capital requirements, partially offset by the year-over-year decreases in EBITDA(1).

Cash Flows used in Investing Activities Cash flows used in investing activities were $152 million in the second quarter of 2012, flat compared to $152 million in the second quarter of 2011, with increases in fixed asset purchases and intangible asset additions, primarily offset by a decrease in short term investments. The intangible additions included the purchase of prescription files from 106 Zellers Inc. stores for approximately $30 million.

On a year-to-date basis, cash flows used in investing activities were $331 million compared to $79 million in 2011. The increase of $252 million was mainly due to the change in security deposits, increased fixed asset purchases and the additions to intangible assets.

Capital Investment and Store Activity

As at or for the periods ended June 16, 2012 and June 18, 2011 (unaudited)	**2012 (24 weeks)**	2011 (24 weeks)	% Change
Capital investment (millions of Canadian dollars)	**$ 367**	$ 316	16.1%
Corporate square footage (in millions)	**37.5**	37.4	0.3 %
Franchise square footage (in millions)	**13.7**	13.4	2.2 %
Retail square footage (in millions)	**51.2**	50.8	0.8 %
Number of corporate stores	**585**	578	1.2 %
Number of franchise stores	**462**	454	1.8 %
Percentage of corporate real estate owned	**72%**	73%	
Percentage of franchise real estate owned	**45%**	46%	
Average store size (square feet)			
Corporate	**64,100**	64,700	(0.9 %)
Franchise	**29,600**	29,600	–

(1) See Non-GAAP Financial Measures on page 20 of this report.

Cash Flows from (used in) Financing Activities Cash flows used in financing activities were $185 million in the second quarter of 2012 compared to cash flows from financing activities of $18 million in the second quarter of 2011. The change of $203 million was due to the reduction in Guarantee Investment Certificate ("GIC") issuances and an increase in cash dividends paid due to the discontinuance of the dividend reinvestment plan in 2011, partially offset by a decrease in interest paid.

On a year-to-date basis, cash flows used in financing activities were $254 million compared to $502 million in the comparable period in 2011. The decrease of $248 million was due to reductions in net repayment of long term debt and a decrease in interest paid, partially offset by the securitization of $370 million in credit card receivables in the first quarter of 2011 and an increase in cash dividends paid in 2012. In 2011, the net repayments of long term debt consisted primarily of the repayment of the $500 million *Eagle Credit Card Trust ("Eagle")* Series 2006-I Notes and the $350 million 6.50% medium term notes, partially offset by GIC issuances of $179 million.

Defined Benefit Pension Plan Contributions During the first two quarters of 2012, the Company contributed $63 million (2011 – $57 million) to its registered funded defined benefit pension plans. The Company expects to contribute approximately $85 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 Medium Term Note ("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 June 16, 2012, June 18, 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 June 16, 2012, there were no issuances under the Prospectus. The Company intends to renew its Prospectus which expires on December 25, 2012.

Independent Securitization Trusts 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. PC Bank sells credit card receivables to Independent Securitization Trusts, including *Eagle* and Other Independent Securitization Trusts, from time to time depending on PC Bank's financing requirements.

The Company has arranged letters of credit on behalf of PC Bank, representing 9% (June 18, 2011 – 9%; December 31, 2011 – 9%) of the outstanding securitized liability for the benefit of the Other Independent Securitization Trusts in the amount of $81 million (June 18, 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 on the letters of credit. Under its securitization programs, PC Bank is required to maintain at all times a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability.

Guaranteed Investment Certificates 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 second quarter of 2012, PC Bank sold $1 million (2011 – $135 million) and $2 million (2011 – $181 million) year-to-date in GICs through independent brokers. In addition, during the second quarter of 2012 $29 million (2011 – nil) and $43 million (2011 – nil) year-to-date of GICs matured and were repaid. As at June 16, 2012, $235 million (June 18, 2011 – $198 million; December 31, 2011 – $276 million) of outstanding GICs were recorded in long term debt, of which $33 million (June 18, 2011 – $47 million; December 31, 2011 – $46 million) were recorded as long term debt due within one year.

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. During the second quarter of 2012, the Company amended and increased the size of the revolving committed credit facility that is the source of funding to the independent funding trusts from $475 million to $575 million. Other terms and conditions remain substantially the same. This facility bears interest at variable rates and expires in 2014. As at June 16, 2012, the independent funding trusts had drawn $459 million (June 18, 2011 – $409 million; December 31, 2011 – $424 million) from this facility. The Company provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% of the principal amount of the loans outstanding. As at June 16, 2012, the Company had provided a letter of credit in the amount of $48 million.

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 June 16, 2012 (June 18, 2011 – nil). Subsequent to the end of the second quarter of 2012, the Company revised the cash collateralized limit in these agreements to $93 million.

Subsequent to the end of the second quarter of 2012, Standard & Poor's reaffirmed the Company's credit rating and outlook. The Dominion Bond Rating Service credit rating and trend of the Company did not change in the second quarter of 2012. The following table sets out the current credit ratings of the Company:

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

Off-Balance Sheet Arrangements

During the second quarter of 2012, the Company increased its guarantee on behalf of PC Bank to MasterCard® International Incorporated from USD $180 million to USD $230 million, primarily due to an increase in active accounts.

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

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**Second Quarter**		First Quarter		Fourth Quarter		Third Quarter	
	2012 (12 weeks)	**2011 (12 weeks)**	2012 (12 weeks)	2011 (12 weeks)	2011 (12 weeks)	2010 (12 weeks)	2011 (16 weeks)	2010 (16 weeks)
Revenue	**$ 7,375**	**$ 7,278**	$ 6,937	$ 6,872	$ 7,373	$ 7,119	$ 9,727	$ 9,535
Net earnings	**$ 159**	**$ 197**	$ 126	$ 162	$ 174	$ 165	$ 236	$ 197
Net earnings per common share								
Basic ($)	**$ 0.57**	**$ 0.70**	$ 0.45	$ 0.58	$ 0.62	$ 0.59	$ 0.84	$ 0.71
Diluted ($)	**$ 0.56**	**$ 0.69**	$ 0.45	$ 0.56	$ 0.60	$ 0.58	$ 0.83	$ 0.70
Average national food price inflation (as measured by CPI)	**2.5%**	**4.0%**	3.7%	2.5%	5.2%	1.5%	4.9%	1.3%
Retail same-store sales growth (decline)	**0.2%**	**(0.4%)**	(0.7%)	(0.1%)	2.5%	(1.6%)	1.3%	(0.4%)

Since the third quarter of 2010, net retail square footage has increased by 0.7 million square feet to 51.2 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, costs associated with the re-alignment of the Retail segment into a two division structure: conventional and discount, and costs related to certain prior years' commodity tax matters. 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 second 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 new IT system. A substantial amount of this master data, including delivery schedules and certain costing information, now originates in the new system. During the second quarter of 2012, the Company continued to make progress on the implementation and focused on major milestones to take place in the third quarter of 2012. Completing the IT system deployment will require continued focus and significant investment. A failure to successfully migrate from legacy systems to the new IT system and complete other upgrades 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.

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. Subsequent to the end of the second quarter, the Company received indication from Canada Revenue Agency that it intends to proceed with a reassessment with regard to the tax treatment of the Company's wholly owned subsidiary, Glenhuron. At this early stage, it is not possible to quantify the amount of the proposed reassessment. While the Company does not expect the ultimate outcome to be material, such matters cannot be predicted with certainty and could result in a material charge for the Company in future periods.

During the second quarter of 2012, the provincial governments of New Brunswick, Newfoundland, British Columbia, Ontario and Prince Edward Island announced 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 were 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 for investment properties measured at fair value. These amendments were 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 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 approximately $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 6.

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 and 24 week periods ended June 16, 2012 and June 18, 2011. EBITDA is useful to management in assessing the 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)	**2024 (24 weeks)**	2011 (24 weeks)
Net earnings	**$ 159**	$ 197	**$ 285**	$ 359
Add impact of the following:				
Income taxes	**54**	70	**93**	138
Net interest expense and other financing charges	**77**	78	**151**	151
Operating income	**290**	345	**529**	648
Add impact of the following:				
Depreciation and amortization	**179**	159	**349**	311
EBITDA	**$ 469**	$ 504	**$ 878**	$ 959

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 and 24 week periods ended June 16, 2012 and June 18, 2011. The Company believes the interest coverage ratio is useful in assessing the Company's ability to cover its net interest expense 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)	**2012 (24 weeks)**	2011 (24 weeks)
Net interest expense and other financing charges	**$ 77**	$ 78	**$ 151**	$ 151
Add: Interest capitalized to fixed assets	**1**	1	**1**	1
Interest expense	**$ 78**	$ 79	**$ 152**	$ 152

Free Cash Flow The following table reconciles free cash flow used in assessing the Company's financial condition to GAAP measures for the 12 and 24 week periods ended June 16, 2012 and June 18, 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 change in credit card receivables, less fixed asset purchases.

(millions of Canadian dollars) (unaudited)	**2012 (12 weeks)**	2011 (12 weeks)	**2012 (24 weeks)**	2011 (24 weeks)
Cash flows from operating activities	**$ 599**	$ 481	**$ 542**	$ 500
Change in credit card receivables	**71**	87	**(43)**	(23)
Less: Fixed asset purchases	**233**	161	**367**	316
Free cash flow	**$ 437**	$ 407	**$ 132**	$ 161

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 operating 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 June 16, 2012 (unaudited)**	As at June 18, 2011 (unaudited)	As at December 31, 2011
Total assets	**$ 17,269**	$ 16,579	$ 17,428
Less: Cash and cash equivalents	**923**	774	966
Short term investments	**718**	699	754
Security deposits	**244**	183	266
Trade payables and other liabilities	**3,356**	3,273	3,677
Net assets	**$ 12,028**	$ 11,650	$ 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 June 16, 2012 (unaudited)**	As at June 18, 2011 (unaudited)	As at December 31, 2011
Short term debt	**$ 905**	$ 905	$ 905
Long term debt due within one year	**226**	81	87
Long term debt	**5,369**	5,364	5,493
Certain other liabilities	**39**	35	39
Fair value of financial derivatives related to the above	**23**	43	22
Total debt	**$ 6,562**	$ 6,428	$ 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	**235**	198	276
Adjusted debt	**$ 4,822**	$ 4,725	$ 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 June 16, 2012 (unaudited)**	As at June 18, 2011 (unaudited)	As at December 31, 2011
Capital securities	**$ 222**	$ 221	$ 222
Shareholders' equity	**6,115**	5,883	6,007
Equity	**$ 6,337**	$ 6,104	$ 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.

July 24, 2012
Toronto, Canada

Financial Results

Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**June 16, 2012 (12 weeks)**	June 18, 2011 (12 weeks)	**June 16, 2012 (24 weeks)**	June 18, 2011 (24 weeks)
Revenue	**$ 7,375**	$ 7,278	**$ 14,312**	$ 14,150
Cost of Merchandise Inventories Sold (note 8)	**5,632**	5,533	**10,916**	10,736
Selling, General and Administrative Expenses	**1,453**	1,400	**2,867**	2,766
Operating Income	**290**	345	**529**	648
Net interest expense and other financing charges (note 3)	**77**	78	**151**	151
Earnings Before Income Taxes	**213**	267	**378**	497
Income taxes (note 4)	**54**	70	**93**	138
Net Earnings	**$ 159**	$ 197	**$ 285**	$ 359
Net Earnings per Common Share ($) (note 5)				
Basic	**$ 0.57**	$ 0.70	$ **1.01**	$ 1.28
Diluted	**$ 0.56**	$ 0.69	$ **1.01**	$ 1.27

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

Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) (unaudited)	**June 16, 2012 (12 weeks)**	June 18, 2011 (12 weeks)	**June 16, 2012 (24 weeks)**	June 18, 2011 (24 weeks)
Net earnings	**$ 159**	$ 197	**$ 285**	$ 359
Other comprehensive loss, net of taxes				
Net defined benefit plan actuarial loss	**(90)**	(67)	**(65)**	(63)
Total Comprehensive Income	**$ 69**	$ 130	**$ 220**	$ 296

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	**–**	**285**	**–**	**–**	**285**
Other comprehensive income	**–**	**(65)**	**–**	**–**	**(65)**
Total Comprehensive Income	**–**	**220**	**–**	**–**	**220**
Net effect of share-based compensation (note 16)	**5**	**–**	**5**	**–**	**10**
Common shares purchased for cancellation (note 14)	**(1)**	**(3)**	**–**	**–**	**(4)**
Dividends declared per common share ($) – $0.42 (note 14)	**–**	**(118)**	**–**	**–**	**(118)**
	4	**99**	**5**	**–**	**108**
Balance at June 16, 2012	**$ 1,544**	**$ 4,513**	**$ 53**	**$ 5**	**$ 6,115**

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	–	359	–	–	359
Other comprehensive income	–	(63)	–	–	(63)
Total Comprehensive Income	–	296	–	–	296
Dividend Reinvestment Plan (note 14)	43	–	–	–	43
Net effect of share-based compensation (note 16)	24	–	38	–	62
Common shares purchased for cancellation (note 14)	(3)	–	–	–	(3)
Dividends declared per common share ($) – $0.42 (note 14)	–	(118)	–	–	(118)
	64	178	38	–	280
Balance at June 18, 2011	$ 1,539	$ 4,300	$ 39	$ 5	$ 5,883

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

Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	As at June 16, 2012	As at June 18, 2011	As at December 31, 2011
Assets			
Current Assets			
Cash and cash equivalents (note 6)	**$ 923**	$ 774	$ 966
Short term investments (note 6)	**718**	699	754
Accounts receivable	**459**	408	467
Credit card receivables (note 7)	**2,058**	1,974	2,101
Inventories (note 8)	**1,890**	1,962	2,025
Income taxes recoverable	**5**	12	–
Prepaid expenses and other assets	**147**	136	117
Assets held for sale	**23**	66	32
Total Current Assets	**6,223**	6,031	6,462
Fixed Assets	**8,765**	8,413	8,725
Investment Properties	**95**	73	82
Goodwill & Intangible Assets (note 9)	**1,063**	1,026	1,029
Deferred Income Taxes	**263**	193	232
Security Deposits (note 6)	**244**	183	266
Franchise Loans Receivable	**358**	313	331
Other Assets (note 10)	**258**	347	301
Total Assets	**$ 17,269**	$ 16,579	$ 17,428
Liabilities			
Current Liabilities			
Trade payables and other liabilities	**3,356**	3,273	3,677
Provisions	**40**	75	35
Income taxes payable	**–**	–	14
Short term debt (note 11)	**905**	905	905
Long term debt due within one year (note 12)	**226**	81	87
Total Current Liabilities	**4,527**	4,334	4,718
Provisions	**47**	50	50
Long Term Debt (note 12)	**5,369**	5,364	5,493
Deferred Income Taxes	**18**	26	21
Capital Securities	**222**	221	222
Other Liabilities (note 13)	**971**	701	917
Total Liabilities	**11,154**	10,696	11,421
Shareholders' Equity			
Common Share Capital (note 14)	**1,544**	1,539	1,540
Retained Earnings	**4,513**	4,300	4,414
Contributed Surplus (note 16)	**53**	39	48
Accumulated Other Comprehensive Income	**5**	5	5
Total Shareholders' Equity	**6,115**	5,883	6,007
Total Liabilities and Shareholders' Equity	**$ 17,269**	$ 16,579	$ 17,428

Contingent liabilities (note 18).

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

Condensed Consolidated Statements of Cash Flow

(millions of Canadian dollars) (unaudited)	**June 16, 2012 (12 weeks)**	June 18, 2011 (12 weeks)	**June 16, 2012 (24 weeks)**	June 18, 2011 (24 weeks)
Operating Activities				
Net earnings	**$ 159**	$ 197	**$ 285**	$ 359
Income taxes (note 4)	**54**	70	**93**	138
Net interest expense and other financing charges (note 3)	**77**	78	**151**	151
Depreciation and amortization	**179**	159	**349**	311
Income taxes paid	**(53)**	(55)	**(122)**	(96)
Interest received	**20**	26	**27**	36
Change in credit card receivables (note 7)	**(71)**	(87)	**43**	23
Change in non-cash working capital	**241**	89	**(292)**	(413)
Fixed assets and other related impairments	**–**	5	**3**	9
(Gain)/loss on disposal of assets	**(2)**	1	**(2)**	1
Other	**(5)**	(2)	**7**	(19)
Cash Flows from Operating Activities	**599**	481	**542**	500
Investing Activities				
Fixed asset purchases	**(233)**	(161)	**(367)**	(316)
Change in short term investments	**79**	(23)	**36**	41
Proceeds from fixed asset sales	**15**	1	**16**	6
Change in franchise investments and other receivables	**20**	28	**3**	28
Change in security deposits	**8**	–	**22**	167
Intangible asset additions (note 9)	**(41)**	(4)	**(41)**	(5)
Other	**–**	7	**–**	–
Cash Flows used in Investing Activities	**(152)**	(152)	**(331)**	(79)
Financing Activities				
Change in bank indebtedness	**–**	–	**–**	(10)
Change in short term debt (note 11)	**–**	–	**–**	370
Long term debt				
Issued (note 12)	**14**	159	**37**	216
Retired (note 12)	**(44)**	(7)	**(73)**	(865)
Interest paid	**(96)**	(131)	**(159)**	(213)
Dividends paid (note 14)	**(59)**	(16)	**(59)**	(16)
Common shares				
Issued (note 14)	**2**	16	**4**	19
Purchased for cancellation (note 14)	**(2)**	(3)	**(4)**	(3)
Cash Flows from (used in) Financing Activities	**(185)**	18	**(254)**	(502)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**4**	–	**–**	(2)
Change in Cash and Cash Equivalents	**266**	347	**(43)**	(83)
Cash and Cash Equivalents, Beginning of Period	**657**	427	**966**	857
Cash and Cash Equivalents, End of Period	**$ 923**	$ 774	**$ 923**	$ 774

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 June 16, 2012 and June 18, 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 retailer and a leading provider of drugstore, general merchandise and financial products and 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 20).

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 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 July 24, 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 were 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 for investment properties measured at fair value. These amendments were 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.

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

	June 16, 2012 (12 weeks)	June 18, 2011 (12 weeks)	**June 16, 2012 (24 weeks)**	June 18, 2011 (24 weeks)
Interest expense and other financing charges:				
Long term debt	**$ 66**	$ 66	**$ 132**	$ 129
Defined benefit and other long term employee benefit plan obligations	**20**	21	**40**	42
Borrowings related to credit card receivables	**9**	9	**17**	22
Independent funding trusts	**3**	4	**7**	8
Dividends on capital securities	**4**	4	**7**	7
Financial derivative instruments	**2**	–	**2**	–
Capitalized interest	**(1)**	(1)	**(1)**	(1)
	103	103	**204**	207
Interest income:				
Expected return on pension plan assets	**(19)**	(18)	**(37)**	(37)
Accretion income	**(4)**	(5)	**(8)**	(9)
Short term interest income	**(2)**	(2)	**(4)**	(4)
Financial derivative instruments	**–**	–	**(3)**	(6)
Security deposits	**(1)**	–	**(1)**	–
	(26)	(25)	**(53)**	(56)
Net interest expense and other financing charges	**$ 77**	$ 78	**$ 151**	$ 151

Note 4. Income Taxes

The second quarter and year-to-date income tax expenses were $54 million (2011 – $70 million) and $93 million ($138 million) respectively. The effective income tax rates for the second quarter and year-to-date 2012 were 25.4% (2011 – 26.2%) and 24.6% (2011 – 27.8%), respectively. The decreases in the effective income tax rates for both the second quarter and year-to-date compared to the same periods in 2011 were 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 second quarter of 2012, the Ontario government substantively enacted the deferral of certain reductions in corporate income tax rates.

Note 5. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	**June 16, 2012 (12 weeks)**	June 18, 2011 (12 weeks)	**June 16, 2012 (24 weeks)**	June 18, 2011 (24 Weeks)
Net earnings for basic earnings per share	**$ 159**	$ 197	**$ 285**	$ 359
Impact of dividends on capital securities	**4**	4	**7**	7
Impact of equity forwards	**–**	(1)	**–**	–
Net earnings for diluted earnings per share	**$ 163**	$ 200	**$ 292**	$ 366
Weighted average common shares outstanding (in millions)	**281.4**	282.0	**281.4**	281.3
Dilutive effect of capital securities (in millions)	**7.3**	6.1	**7.3**	6.1
Dilutive effect of share-based compensation (in millions)	**0.2**	0.8	**0.3**	0.8
Dilutive effect of equity forwards (in millions)	**–**	0.6	**–**	–
Dilutive effect of certain other liabilities (in millions)	**1.1**	0.9	**1.1**	0.9
Diluted weighted average common shares outstanding (in millions)	**290.0**	290.4	**290.1**	289.1
Basic net earnings per common share ($)	**$ 0.57**	$ 0.70	**$ 1.01**	$ 1.28
Diluted net earnings per common share ($)	**$ 0.56**	$ 0.69	**$ 1.01**	$ 1.27

For the second quarter of 2012, 12,091,866 (2011 – 8,052,634) and 11,925,547 (2011 – 8,694,709) year-to-date of 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 June 16, 2012	As at June 18, 2011	As at December 31, 2011
Cash	**$ 162**	$ 96	$ 232
Cash equivalents:			
Bankers' acceptances	**50**	327	150
Government treasury bills	**388**	74	227
Bank term deposits	**75**	122	170
Corporate commercial paper	**235**	95	132
Government agencies securities	**–**	23	–
Other	**13**	37	55
Total cash and cash equivalents	**$ 923**	$ 774	$ 966

Short Term Investments

	As at June 16, 2012	As at June 18, 2011	As at December 31, 2011
Bankers' acceptances	$ 1	$ –	$ –
Government treasury bills	383	315	252
Corporate commercial paper	140	270	280
Government agencies securities	184	85	221
Other	10	29	1
Total short term investments	$ 718	$ 699	$ 754

Security Deposits

	As at June 16, 2012	As at June 18, 2011	As at December 31, 2011
Cash	$ 85	$ –	$ 85
Government treasury bills	110	102	108
Government agencies securities	49	81	73
Total security deposits	$ 244	$ 183	$ 266

Note 7. Credit Card Receivables

The components of credit card receivables were as follows:

	As at June 16, 2012	As at June 18, 2011	As at December 31, 2011
Gross credit card receivables	$ 2,094	$ 2,007	$ 2,138
Allowance for credit card receivables	(36)	(33)	(37)
Credit card receivables	$ 2,058	$ 1,974	$ 2,101
Securitized to Independent Securitization Trusts			
Securitized to *Eagle Credit Card Trust*(1)	600	600	600
Securitized to Other Independent Securitization Trusts(2)	905	905	905

(1) The Company consolidates *Eagle Credit Card Trust*, as a Special Purpose Entity as defined in IFRS Standing Interpretations Committee Interpretation 12 "Consolidation – Special Purpose Entities". The associated liability of *Eagle Credit Card Trust* is recorded in long term debt.
(2) The associated liabilities of Other Independent Securitization Trusts are recorded in short term debt.

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. PC Bank sells credit card receivables to these Independent Securitization Trusts, including *Eagle Credit Card Trust ("Eagle")* and Other Independent Securitization Trusts, from time to time depending on PC Bank's financing requirements.

The credit card receivables associated with the Other Independent Securitization Trusts are not derecognized by the Company since PC Bank is required to absorb a portion of the related credit card losses. As a result, the Company has not transferred substantially all of the risks and rewards relating to these assets and continues to recognize these assets in credit card receivables. The associated liabilities are secured by the credit card receivables and are accounted for as financing transactions. The liabilities are included in short term debt based on their characteristics and are carried at amortized cost (see note 11).

The Company has arranged letters of credit on behalf of PC Bank, representing 9% (June 18, 2011 – 9%; December 31, 2011 – 9%) of the outstanding securitized liability for the benefit of the Other Independent Securitization Trusts in the amount of $81 million (June 18, 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 on the letters of credit. Under its securitization programs, PC Bank is required to maintain at all times a credit card receivable pool balance equal to a minimum of 107% of the outstanding securitized liability.

Note 8. Inventories

For inventories recorded as at June 16, 2012, the Company recorded $16 million (June 18, 2011 – $22 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 quarters ended June 16, 2012 and June 18, 2011.

Note 9. Goodwill and Intangible Assets

During the second quarter of 2012, the Company had $41 million (2011 – $4 million) of intangible asset additions and $41 million (2011 – $5 million) year-to-date, of which $30 million (2011 – nil) was related to the purchase of prescription files from 106 Zellers Inc. stores classified as definite life intangible assets.

Note 10. Other Assets

	As at June 16, 2012	As at June 18, 2011	As at December 31, 2011
Fair value of cross currency swaps (note 17)	**$ 88**	$ 160	$ 103
Sundry investments and other receivables	**132**	142	166
Other	**38**	45	32
Other assets	**$ 258**	$ 347	$ 301

Note 11. Short Term Debt

During the second quarter of 2012 and year-to-date, PC Bank did not securitize any credit card receivables (2011 – nil and $370 million year-to-date) or repurchase any co-ownership interest from the Other Independent Securitization trusts (see note 7).

Note 12. Long Term Debt

Guaranteed Investment Certificates During the second quarter of 2012, PC Bank sold $1 million (2011 – $135 million) and $2 million (2011 – $181 million) year-to-date in Guaranteed Investment Certificates ("GICs"). In addition, during the second quarter of 2012, $29 million (2011 – nil) and $43 million (2011 – nil) year-to-date of GICs matured and were repaid. As at June 16, 2012, $235 million (June 18, 2011 – $198 million; December 31, 2011 – $276 million) of outstanding GICs were recorded in long term debt, of which $33 million (June 18, 2011 – $47 million; December 31, 2011 – $46 million) were recorded as long term debt due within one year.

Independent Funding Trusts During the second quarter of 2012, the Company amended and increased the size of the revolving committed credit facility that is the source of funding to the independent funding trusts from $475 million to $575 million. Other terms and conditions remain substantially the same. This facility bears interest at variable rates and expires in 2014. As at June 16, 2012, the independent funding trusts had drawn $459 million (June 18, 2011 – $409 million; December 31, 2011 – $424 million) from this committed credit facility.

The Company provides credit enhancement in the form of a standby letter of credit for the benefit of the independent funding trusts representing not less than 10% of the principal amount of the loans outstanding. As at June 16, 2012, the Company had provided a letter of credit in the amount of $48 million (June 18, 2011 – $48 million; December 31, 2011 – $48 million).

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 June 16, 2012, June 18, 2011 and December 31, 2011, the Company had not drawn on this facility.

Private Placement Notes As at June 16, 2012, $306 million (June 18, 2011 – $294 million; December 31, 2011 – $306 million) of private placement notes ("USPP") was recorded as long term debt, of which $153 million (June 18, 2011 and December 31, 2011 – nil) was recorded as long term debt due within one year.

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 13. Other Liabilities

	As at June 16, 2012	As at June 18, 2011	As at December 31, 2011
Defined benefit plan liability (note 15)	**$ 637**	$ 399	$ 579
Other long term employee benefit liability	**117**	111	118
Deferred vendor allowances	**28**	36	32
Share-based compensation liability (note 16)	**13**	13	15
Other	**176**	142	173
Other liabilities	**$ 971**	$ 701	$ 917

Note 14. Share Capital

Common Shares (authorized – unlimited) At the end of the second quarter of 2012, the Company's common shares issued and outstanding were 281,396,141 (June 18, 2011 – 282,246,777; December 31, 2011 – 281,385,318).

Dividends ($) During the second quarter of 2012, the Company's Board declared dividends of $0.21 (2011 – $0.21) per common share with a payment date of July 1, 2012 and $0.42 (2011 – $0.42) year-to-date per common share and $0.37 (2011 – $0.37) per Second Preferred Shares, Series A with a payment date of July 31, 2012 and $0.74 (2011 – $0.74) year-to-date per Second Preferred Shares, Series A. For financial statement presentation purposes, Second Preferred Shares, Series A dividends of $4 million (2011 – $4 million) and $7 million (2011 – $7 million) for the 12 and 24 weeks ended June 16, 2012 and June 18, 2011, respectively, 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 second quarter of 2012, the Board declared a quarterly dividend of $0.21 per common share payable October 1, 2012, and $0.37 per Second Preferred Share, Series A, payable October 31, 2012.

Normal Course Issuer Bid ("NCIB") During the second quarter of 2012, the Company purchased for cancellation 56,838 (2011 – 80,000) and 111,746 (2011 – 80,000) year-to-date common shares, resulting in a charge to retained earnings of $1 million (2011 – nil) and $3 million (2011 – nil) year-to-date for the premium on the common shares, and $1 million (2011 – $3 million) and $1 million (2011 – $3 million) year-to-date reduction in common share capital. During the second 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 (2011 – 14,096,437) 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 15. Post-Employment and Other Long Term Employee Benefits

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

	June 16, 2012 (12 weeks)	June 18, 2011 (12 weeks)	**June 16, 2012 (24 weeks)**	June 18, 2011 (24 weeks)
Post-employment benefit cost recognized in operating income	**$ 34**	$ 28	**$ 70**	$ 62
Other long term employee benefits cost recognized in operating income	**6**	–	**10**	5
Post-employment and other long term employee benefit costs included in net interest expense and other financing charges (note 3)	**1**	3	**3**	5
Actuarial losses before income taxes recognized in other comprehensive loss	**121**	91	**87**	85

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 losses recognized in other comprehensive loss in the second quarter of 2012 and year-to-date were primarily due to decreases in the discount rates. The actuarial losses recognized in the second quarter of 2012 were also due to lower than expected returns on assets. The actuarial losses recognized in other comprehensive loss in the second quarter of 2011 and year-to-date were primarily due to decreases in the discount rates and lower than expected returns on assets.

Note 16. 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") and Performance Share Unit ("PSU") plans, including the equity forwards of Glenhuron Bank Limited ("Glenhuron"), a wholly owned subsidiary of the Company, was:

	June 16, 2012 (12 weeks)	June 18, 2011 (12 weeks)	**June 16, 2012 (24 weeks)**	June 18, 2011 (24 weeks)
Stock option plan expense	**$ 4**	$ 5	**$ 8**	$ 3
Equity forwards (income) expense	**1**	(1)	**6**	2
RSU and PSU plan expense	**–**	11	**3**	3
Net share-based compensation expense	**$ 5**	$ 15	**$ 17**	$ 8

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

	As at June 16, 2012	As at June 18, 2011	As at December 31, 2011
Trade payables and other liabilities	**$ 11**	$ 14	$ 15
Other liabilities	**13**	13	15
Contributed surplus	**53**	39	48
	$ 77	$ 66	$ 78

Stock Option Plan At the Company's Annual and Special Meeting of Shareholders on May 3, 2012, the shareholders approved an amendment to the Company's employee stock option plan that increased the total number of common shares authorized for issuance under the plan by 14,428,484 to 28,137,162 common shares. This amendment increased the Company's number of common shares authorized for issuance under the stock option plan from 5% to 10% of the total issued and outstanding common shares.

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)	**June 16, 2012 (12 weeks)**	June 18, 2011 (12 weeks)	**June 16, 2012 (24 weeks)**	June 18, 2011 (24 weeks)
Outstanding options, beginning of period	**14,507,527**	12,084,762	**10,750,993**	9,320,865
Granted	**12,281**	45,980	**4,567,302**	3,141,247
Exercised	**(65,731)**	(531,258)	**(122,569)**	(606,267)
Forfeited/cancelled	**(331,836)**	(203,752)	**(531,756)**	(460,113)
Expired	**–**	–	**(541,729)**	–
Outstanding options, end of period	**14,122,241**	11,395,732	**14,122,241**	11,395,732

During the second quarter of 2012, the Company granted 12,281 (2011 – 45,980) stock options at an exercise price of $32.88 (2011 – $41.52). The fair value as calculated under the Black-Scholes option valuation models was nominal (2011 – nominal). In addition, in the second quarter of 2012, the Company issued 65,731 (2011 – 531,258) and 122,569 (2011 – 606,267) year-to-date of common shares on the exercise of stock options and received cash consideration of $2 million (2011 – $16 million) and $4 million (2011 – $19 million) year-to-date.

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

	June 16, 2012 (12 weeks)	June 18, 2011 (12 weeks)
Expected dividend yield	**2.6%**	2.1%
Expected share price volatility	**22.6% – 24.8%**	22.2% – 24.6%
Risk-free interest rate	**1.4% – 1.6%**	2.3% – 2.8%
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 annual forfeiture rate applied as at June 16, 2012 was 16.3% (June 18, 2011 – 16.2%; December 31, 2011 – 16.3%).

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

	As at June 16, 2012	As at June 18, 2011	As at December 31, 2011
Outstanding contracts (in millions)	**1.1**	1.5	1.1
Average forward price per share ($)	**$ 56.55**	$ 56.36	$ 56.38
Interest expense (income) per share ($)	**$ 0.12**	$ 0.14	$ (0.05)
Unrealized loss recorded in trade payables and other liabilities (millions of Canadian dollars)	**$ 26**	$ 26	$ 20

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

(Number of Awards)	**June 16, 2012 (12 weeks)**	June 18, 2011 (12 weeks)	**June 16, 2012 (24 weeks)**	June 18, 2011 (24 weeks)
RSUs, beginning of period	**1,469,799**	1,104,308	**1,119,496**	1,045,346
Granted	**1,058**	4,617	**376,742**	352,371
Settled	**(254,026)**	(53,454)	**(268,777)**	(321,785)
Forfeited/cancelled	**(24,132)**	(10,744)	**(34,762)**	(31,205)
RSUs, end of period	**1,192,699**	1,044,727	**1,192,699**	1,044,727
RSUs, settled (millions of Canadian dollars)	**$ 8**	$ 2	**$ 9**	$ 12

As at June 16, 2012, the intrinsic value of vested RSUs was $14 million (June 18, 2011 – $17 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)	**June 16, 2012 (12 weeks)**	June 18, 2011 (12 weeks)	**June 16, 2012 (24 weeks)**	June 18, 2011 (24 weeks)
PSUs, beginning of period	**$ 50,818**	$ –	**$ –**	$ –
Granted	**–**	–	**50,818**	–
PSUs, end of period	**$ 50,818**	$ –	**$ 50,818**	$ –

As at June 16, 2012, the intrinsic value of vested PSUs was nominal.

Note 17. Financial Instruments

Cross Currency Swaps Glenhuron holds cross currency swaps to exchange United States dollars ("USD") for $1,219 million (June 18, 2011 – $1,210 million; December 31, 2011 – $1,252 million) Canadian dollars, which mature by 2019. During the second quarter of 2012, a fair value loss of $28 million (2011 – gain of $1 million) and a nominal gain (2011 – gain of $22 million) year-to-date was recognized in operating income relating to these cross currency swaps. In addition, during the second quarter of 2012, the Company recognized in operating income a foreign exchange translation gain of $25 million (2011 – loss of $2 million) and a nominal gain (2011 – loss of $20 million) year-to-date related to USD $1,083 million (June 18, 2011 – $1,046 million; December 31, 2011 – $1,073 million) of cash and cash equivalents, short term investments and security deposits (note 6) held primarily 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 second quarter of 2012, the Company recognized in operating income an unrealized fair value gain of $6 million (2011 – $3 million) and $2 million (2011 – loss of $6 million) year-to-date on these cross currency swaps. In addition, during the second quarter of 2012, the Company recognized in operating income an unrealized foreign currency exchange translation loss of $7 million (2011 – nominal gain) and a nominal loss (2011 – gain of $6 million) year-to-date related to the $300 million USPP (note 12).

Interest Rate Swaps The Company maintains a notional $150 million (June 18, 2011 − $150 million; December 31, 2011 – $150 million) in interest rate swaps, on which it pays a fixed rate of 8.38%. During the second quarter of 2012, the Company recognized a $3 million (2011 – $2 million) and $3 million (2011 – $2 million) year-to-date fair value gain in operating income related to these swaps.

Equity Forward Contracts As at June 16, 2012, Glenhuron had equity forward contracts to purchase Loblaw common shares. See note 16 for details relating to these equity derivatives.

Note 18. 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, but may have a material impact in future periods.

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.

Subsequent to the end of the second quarter, the Company received indication from Canada Revenue Agency that it intends to proceed with a reassessment with regard to the tax treatment of the Company's wholly owned subsidiary, Glenhuron. At this early stage, it is not possible to quantify the amount of the proposed reassessment. While the Company does not expect the ultimate outcome to be material, such matters cannot be predicted with certainty and could result in a material charge for 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 19. Financial Guarantees

During the second quarter of 2012, the Company increased its guarantee on behalf of PC Bank to MasterCard® International Incorporated from USD $180 million to USD $230 million, primarily due to an increase in active accounts.

Note 20. 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 as if those transactions were with external parties.

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

	June 16, 2012 (12 weeks)	June 18, 2011 (12 weeks)	**June 16, 2012 (24 weeks)**	June 18, 2011 (24 weeks)
Revenue				
Retail	**$ 7,236**	$ 7,157	**$ 14,044**	$ 13,914
Financial services[(1)]	**139**	121	**268**	236
Consolidated	**$ 7,375**	$ 7,278	**$ 14,312**	$ 14,150

(1) Included in financial services revenue is $61 million (June 18, 2011 – $56 million) during the second quarter of 2012 and $123 million (2011 – $116 million) year-to-date of interest income.

	June 16, 2012 (12 weeks)	June 18, 2011 (12 weeks)	**June 16, 2012 (24 weeks)**	June 18, 2011 (24 weeks)
Depreciation and Amortization				
Retail	**$ 176**	$ 157	**$ 344**	$ 308
Financial services	**3**	2	**5**	3
Consolidated	**$ 179**	$ 159	**$ 349**	$ 311

	June 16, 2012 (12 weeks)	June 18, 2011 (12 weeks)	**June 16, 2012 (24 weeks)**	June 18, 2011 (24 weeks)
Operating Income				
Retail	**$ 275**	$ 333	**$ 500**	$ 618
Financial services	**15**	12	**29**	30
Consolidated	**$ 290**	$ 345	**$ 529**	$ 648

	June 16, 2012 (12 weeks)	June 18, 2011 (12 weeks)	**June 16, 2012 (24 weeks)**	June 18, 2011 (24 weeks)
Net Interest Expense and Other Financing Charges				
Retail	**$ 66**	$ 68	**$ 130**	$ 128
Financial services	**11**	10	**21**	23
Consolidated	**$ 77**	$ 78	**$ 151**	$ 151

	As at June 16, 2012	As at June 18, 2011	As at December 31, 2011
Total Assets			
Retail	**$ 14,958**	$ 14,441	$ 15,098
Financial services	**2,311**	2,138	2,330
Consolidated	**$ 17,269**	$ 16,579	$ 17,428

	June 16, 2012 (12 weeks)	June 18, 2011 (12 weeks)	June 16, 2012 (24 weeks)	June 18, 2011 (24 weeks)
Additions to Fixed Assets and Goodwill and Intangibles				
Retail	**$ 268**	$ 163	**$ 399**	$ 318
Financial services	**6**	2	**9**	3
Consolidated	**$ 274**	$ 165	**$ 408**	$ 321

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 June 16, 2012 in connection with the Company's Short Form Base Shelf Prospectus dated November 25, 2010.

Earnings Coverage on financial liabilities	3.63 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 June 16, 2012 and June 18, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (12 weeks)**	2011 (12 weeks)
Consolidated Results of Operations		
Revenue	**$ 7,375**	$ 7,278
Operating income	**290**	345
EBITDA[2]	**469**	504
Net interest expense and other financing charges	**77**	78
Net earnings	**159**	197
Consolidated Financial Position and Cash Flow		
Working capital[1]	**1,696**	1,697
Adjusted debt[2]	**4,822**	4,725
Cash and cash equivalents, short term investments and security deposits	**1,885**	1,656
Cash flows from operating activities	**599**	481
Capital investment	**233**	161
Free cash flow[2]	**437**	407
Consolidated Per Common Share ($)		
Basic net earnings	**0.57**	0.70
Consolidated Financial Measures and Ratios		
Revenue growth (decline)	**1.3%**	0.1%
Operating margin[1]	**3.9%**	4.7%
EBITDA margin[2]	**6.4%**	6.9%
Adjusted debt[2] to rolling year EBITDA[2]	**2.4x**	2.3x
Adjusted debt[2] to equity[2]	**0.8:1**	0.8:1
Interest coverage[2]	**3.7x**	4.4x
Rolling year return on average net assets[2]	**10.7%**	12.0%
Rolling year return on average shareholders' equity	**11.6%**	13.0%
Retail Results of Operations		
Sales	**7,236**	7,157
Gross profit	**1,611**	1,626
Operating income	**275**	333
Retail Operating Statistics		
Same-store sales growth (decline)	**0.2%**	(0.4%)
Gross profit percentage	**22.3%**	22.7%
Operating margin[1]	**3.8%**	4.7%
Retail square footage (in millions)	**51.2**	50.8
Number of corporate stores	**585**	578
Number of franchise stores	**462**	454
Financial Services Results of Operations		
Revenue	**139**	121
Operating income	**15**	12
Earnings before income taxes	**4**	2
Financial Services Operating Measures and Statistics		
Average quarterly net credit card receivables	**2,049**	1,953
Credit card receivables	**2,058**	1,974
Allowance for credit card receivables	**36**	33
Annualized yield on average quarterly gross credit card receivables[1]	**12.7%**	12.6%
Annualized credit loss rate on average quarterly gross credit card receivables[1]	**4.4%**	4.8%

(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 20 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 July 25, 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: 87338061. 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.

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