COMPANIES LIMITED Loblaw

NEWS RELEASE

Loblaw Companies Limited Reports 2012 Second Quarter Results[1]

BRAMPTON, ONTARIO July 25, 2012 Loblaw Companies Limited (TSX: L) ("Loblaw" or the "Company") today announced its unaudited financial results for the second quarter ended June 16, 2012. The Company's second quarter report will be available in the Investor Centre section of the Company's website at loblaw.ca and will be filed with SEDAR and available at sedar.com.

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%		

(1) This News Release contains forward-looking information. See Forward-Looking Statements on page 5 of this News Release for a discussion of material factors that could cause actual results to differ materially from the conclusions, forecasts and projections herein and of the material factors and assumptions that were used when making these statements. This News Release should be read in conjunction with Loblaw Companies Limited's filings with securities regulators made from time to time, all of which can be found at sedar.com and at loblaw.ca.

(2) See Non-GAAP Financial Measures on page 7 of this News Release.

- 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.

- 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 5 of this News Release.

Forward-Looking Statements

This News Release for Loblaw Companies Limited contains forward-looking statements about the Company's objectives, plans, goals, aspirations, strategies, financial condition, results of operations, cash flows, performance, prospects and opportunities. These forward-looking statements are typically identified by words such as "anticipate", "expect", "believe", "foresee", "could", "estimate", "goal", "intend", "plan", "seek", "strive", "will", "may" and "should" and similar expressions, as they relate to the Company and its management. In this News Release, forward-looking statements include the Company's 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.

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

Non-GAAP Financial Measures

The Company uses the following non-GAAP financial measures: EBITDA and EBITDA margin. The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance 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 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

Selected Financial Information

The following includes selected quarterly financial information, which is prepared by management in accordance with International Financial Reporting Standards ("IFRS") and is based on the Company's 2012 Second Quarter Report to Shareholders. This financial information does not contain all interim period disclosures required by IFRS, and accordingly, should be read in conjunction with the Company's 2011 Annual Report – Financial Review and 2012 Second Quarter Report to Shareholders which are available in the Investor Centre section of the Company's website at www.loblaw.ca.

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	**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	**77**	78	**151**	151
Earnings Before Income Taxes	**213**	267	**378**	497
Income taxes	**54**	70	**93**	138
Net Earnings	**$ 159**	$ 197	**$ 285**	$ 359
Net Earnings per Common Share ($)				
Basic	**$ 0.57**	$ 0.70	$ **1.01**	$ 1.28
Diluted	**$ 0.56**	$ 0.69	$ **1.01**	$ 1.27

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	**$ 923**	$ 774	$ 966
Short term investments	**718**	699	754
Accounts receivable	**459**	408	467
Credit card receivables	**2,058**	1,974	2,101
Inventories	**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	**1,063**	1,026	1,029
Deferred Income Taxes	**263**	193	232
Security Deposits	**244**	183	266
Franchise Loans Receivable	**358**	313	331
Other Assets	**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	**905**	905	905
Long term debt due within one year	**226**	81	87
Total Current Liabilities	**4,527**	4,334	4,718
Provisions	**47**	50	50
Long Term Debt	**5,369**	5,364	5,493
Deferred Income Taxes	**18**	26	21
Capital Securities	**222**	221	222
Other Liabilities	**971**	701	917
Total Liabilities	**11,154**	10,696	11,421
Shareholders' Equity			
Common Share Capital	**1,544**	1,539	1,540
Retained Earnings	**4,513**	4,300	4,414
Contributed Surplus	**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

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	**54**	70	**93**	138
Net interest expense and other financing charges	**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	**(71)**	(87)	**43**	23
Change in non-cash working capital	**241**	89	**(292)**	(413)
Fixed assets and other related impairments	**–**	5	**3**	9
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	**(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	**–**	–	**–**	370
Long term debt				
Issued	**14**	159	**37**	216
Retired	**(44)**	(7)	**(73)**	(865)
Interest paid	**(96)**	(131)	**(159)**	(213)
Dividends paid	**(59)**	(16)	**(59)**	(16)
Common shares				
Issued	**2**	16	**4**	19
Purchased for cancellation	**(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

2011 Annual Report and 2012 Second Quarter Report to Shareholders

The Company's 2011 Annual Report and 2012 Second Quarter Report to Shareholders are available in the Investor Centre section of the Company's website at www.loblaw.ca or at www.sedar.com.

Investor Relations

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

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

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on July 25, 2012 at 11:00 a.m. (EST).

To access via tele-conference please dial (647) 427-7450. The playback will be made available two hours after the event at (416) 849-0833, access code: 87338061. To access via audio webcast please visit www.loblaw.ca, go to Investor Centre section and click on webcast. Pre-registration will be available.

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