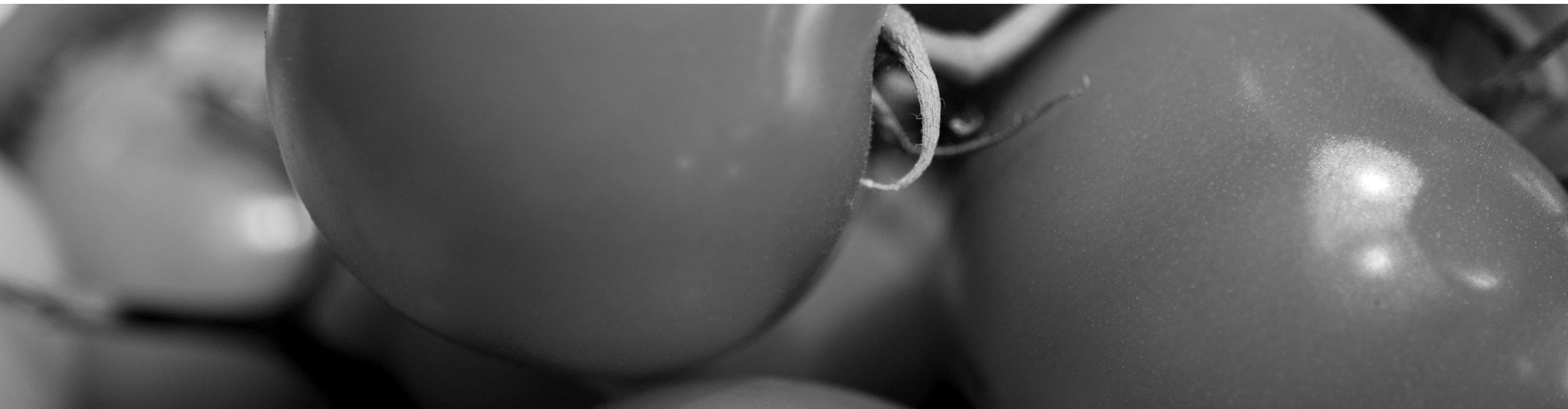
Q3 THIRD QUARTER REPORT TO SHAREHOLDERS
40 weeks ending October 6, 2012

Loblaw
COMPANIES LIMITED



2012 Third Quarter Report to Shareholders

2012 Third Quarter Summary[1]

- Basic net earnings per common share of $0.79, down 6.0% compared to the third quarter of 2011.
- EBITDA margin[2] of 6.6%, flat compared to the third quarter of 2011.
- Revenue of $9,827 million, an increase of 1.0% over the third quarter of 2011.
- Retail sales growth of 0.7% and same-store sales decline of 0.2% compared to the third quarter of 2011.

"In the third quarter, the team executed the plan. Targeted investments in the customer proposition are delivering clear results, the infrastructure program remains on track, and planned efficiencies are beginning to come through," said Galen G. Weston, Executive Chairman, Loblaw Companies Limited. "We are pleased with the fundamental progress to-date – the dividend increase announced this morning reflects the Board's confidence that management's long-term strategy will build shareholder value over time."

Consolidated Quarterly Results of Operations

For the periods ended October 6, 2012 and October 8, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (16 weeks)**	2011 (16 weeks)	$ Change	% Change	**2012 (40 weeks)**	2011 (40 weeks)	$ Change	% Change
Revenue	**$ 9,827**	$ 9,727	$ 100	1.0%	**$ 24,139**	$ 23,877	$ 262	1.1%
Operating income	**405**	421	(16)	(3.8%)	**934**	1,069	(135)	(12.6%)
Net earnings	**222**	236	(14)	(5.9%)	**507**	595	(88)	(14.8%)
Basic net earnings per common share ($)	**0.79**	0.84	(0.05)	(6.0%)	**1.80**	2.11	(0.31)	(14.7%)
Operating margin[3]	**4.1%**	4.3%			**3.9%**	4.5%		
EBITDA[2]	**$ 646**	$ 639	$ 7	1.1%	**$ 1,524**	$ 1,598	$ (74)	(4.6%)
EBITDA margin[2]	**6.6%**	6.6%			**6.3%**	6.7%		

- The $100 million increase in revenue compared to the third quarter of 2011 was driven by increases in both the Company's Retail and Financial Services operating segments, as described below.
- For full-year 2012, the Company now expects that $50 million of incremental investment in its customer proposition will not be covered by operations, an increase of $10 million from the amount previously disclosed. Of this amount, $15 million was incurred in the third quarter of 2012, $10 million of which was in labour and $5 million in shrink. Year-to-date, this amount was $40 million, comprised of $20 million in price and $5 million in shrink, both of which were included in gross profit, and $15 million in labour.
- Operating income decreased by $16 million compared to the third quarter of 2011 as a result of a decrease in Retail operating income of $24 million, partially offset by an increase in Financial Services operating income of $8 million. Operating margin[3] was 4.1% for the third quarter of 2012 compared to 4.3% in the same quarter in 2011. The $24 million decrease in Retail operating income was mainly driven by an increase in labour and other operating costs and the notable items as described below, partially offset by increases in gross profit and foreign exchange gains.

(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 21 of this report.

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

- Consolidated operating income included the following notable items:
  - Incremental costs of $29 million related to investments in information technology ("IT") and supply chain, including the following charges:
    - $100 million (2011 – $78 million) related to IT costs;
    - $70 million (2011 – $55 million) related to depreciation and amortization; and
    - $3 million (2011 – $11 million) related to other supply chain projects costs;
  - A $9 million charge (2011 – $15 million) related to the effect of share-based compensation net of equity forwards;
  - An $8 million charge (2011 – $12 million) 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; and
  - A nil gain (2011 – $14 million) related to the sale of a portion of a property in North Vancouver, British Columbia.

- The decrease in net earnings of $14 million compared to the third quarter of 2011 was primarily due to the decrease in operating income and an increase in interest expense, 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 $0.07 charge related to incremental investments in IT and supply chain;
  - A $0.03 charge (2011 – $0.05) related to the effect of share-based compensation net of equity forwards;
  - A $0.02 charge (2011 – $0.03) related to the transition of certain Ontario conventional stores to the operating terms under collective agreements ratified in 2010; and
  - A nil gain (2011 – $0.04) related to the sale of a portion of a property in North Vancouver, British Columbia.

- In the third quarter of 2012, the Company invested $289 million in capital expenditures.

- Subsequent to the end of the third quarter of 2012, the Company announced its plan to reduce a number of head office and administrative positions. Focused primarily on management and office positions, the plan is expected to affect approximately 700 jobs. The Company expects to take an estimated charge of $60 million in the fourth quarter of 2012, reflecting the anticipated costs of the planned reductions.

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

Retail Results of Operations

For the periods ended October 6, 2012 and October 8, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (16 weeks)**	2011 (16 weeks)	$ Change	% Change	**2012 (40 weeks)**	2011 (40 weeks)	$ Change	% Change
Sales	**$ 9,627**	$ 9,563	$ 64	0.7%	**$ 23,671**	$ 23,477	$ 194	0.8%
Gross profit	**2,104**	2,071	33	1.6%	**5,244**	5,251	(7)	(0.1%)
Operating income	**373**	397	(24)	(6.0%)	**873**	1,015	(142)	(14.0%)
Same-store sales (decline) growth	**(0.2%)**	1.3%			**(0.2%)**	0.4%		
Gross profit percentage	**21.9%**	21.7%			**22.2%**	22.4%		
Operating margin(1)	**3.9%**	4.2%			**3.7%**	4.3%		

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

- In the third quarter of 2012, the increase of $64 million, or 0.7%, in Retail sales over the same period in the prior year was impacted by the following factors:
  - Same-store sales decline was 0.2% (2011 – 1.3% growth);
  - Sales growth in food, drugstore and gas bar was modest;
  - 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 third quarter of 2012 and moderate average quarterly food price inflation during the third quarter of 2011, which were lower than the average quarterly national food price inflation of 1.8% (2011 – 4.9%) 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
  - 19 corporate and franchise stores were opened and eight corporate and franchise stores were closed in the last twelve months, resulting in a net increase of 0.3 million square feet, or 0.6%.

- In the third quarter of 2012, gross profit increased by $33 million compared to the third quarter of 2011 and gross profit percentage was 21.9%, an increase from 21.7% in the third quarter of 2011. These increases were primarily driven by improved buying synergies and vendor management and decreased transportation costs, partially offset by increases in promotional pricing programs and shrink. Increased shrink expense included an estimated $5 million of the incremental investment in the Company's customer proposition related to improved assortment in stores that was not covered by operations.

- Operating income decreased by $24 million compared to the third quarter of 2011 and operating margin(1) was 3.9% for the third quarter of 2012 compared to 4.2% in the same period in 2011. In addition to the notable items described in the Consolidated Quarterly Results of Operations above, operating income and operating margin(1) were negatively impacted by an increase in labour and other operating costs, partially offset by increased gross profit and foreign exchange gains. The increase in labour costs in the third quarter of 2012 included an estimated $10 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 October 6, 2012 and October 8, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (16 weeks)**	2011 (16 weeks)	$ Change	% Change	**2012 (40 weeks)**	2011 (40 weeks)	$ Change	% Change
Revenue	**$ 200**	$ 164	$ 36	22.0%	**$ 468**	$ 400	$ 68	17.0%
Operating income	**32**	24	8	33.3%	**61**	54	7	13.0%
Earnings before income taxes	**19**	10	9	90.0%	**27**	17	10	58.8%

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**As at October 6, 2012**	As at October 8, 2011	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,055**	$ 1,942	$ 113	5.8%
Credit card receivables	**2,073**	1,911	162	8.5%
Allowance for credit card receivables	**39**	33	6	18.2%
Annualized yield on average quarterly gross credit card receivables(1)	**12.8%**	12.7%		
Annualized credit loss rate on average quarterly gross credit card receivables(1)	**4.4%**	4.3%		

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

- Revenue for the third quarter of 2012 increased by 22.0% compared to the third quarter of 2011. The increase was primarily driven by higher *PC* Telecom revenues resulting from the launch of the Mobile Shop kiosk business in the fourth quarter of 2011 and higher interest and interchange fee income from increased credit card transaction values and receivable balances.

- Operating income for the third quarter of 2012 increased by $8 million compared to the third quarter of 2011. The increase was a result of the increase in revenue as described above, partially offset by investments in the launch of the Mobile Shop kiosk business and credit card losses on higher receivable balances.

- Earnings before income taxes increased by $9 million in the third quarter of 2012 compared to the third quarter of 2011. The increase was primarily a result of the increase in operating income.

Outlook(1)

- The Company is updating its fiscal 2012 outlook. For the year, the Company expects:
  - Capital expenditures to be approximately $1.1 billion, with approximately 40% to be dedicated to investing in 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 be approximately $40 million;
  - Incremental costs related to investments in IT and supply chain to be approximately $65 million, down from the previously anticipated full-year estimate of $70 million;
  - Incremental investment in its customer proposition that will not be covered by operations are anticipated to be $50 million, up from the previously anticipated $40 million; and
  - Full-year net earnings per share to be down year-over-year, with earnings performance for the fourth quarter 2012, excluding the $60 million restructuring charge previously announced, to be generally in line with fourth quarter 2011.

(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 third 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 third 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 from (used in) operating activities excluding the net change in credit card receivables, less fixed asset purchases.

The information in this MD&A is current to November 13, 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 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 be approximately $40 million;
- incremental costs related to investments in information technology ("IT") and supply chain will be approximately $65 million;
- $50 million of incremental costs associated with strengthening its customer proposition will not be covered by operations; and
- full-year net earnings per share will be down year-over-year, with earnings performance for the fourth quarter 2012, excluding the $60 million restructuring charge previously announced, to be generally in line with fourth quarter 2011.

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 range from 25% to 26%, 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 21 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;
- the inability of the Company to realize anticipated cost savings and efficiencies, including those resulting from restructuring;
- 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 October 6, 2012 and October 8, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (16 weeks)**	2011 (16 weeks)
Consolidated:		
Revenue growth	**1.0%**	2.0%
Operating income	**405**	421
Operating margin(1)	**4.1%**	4.3%
EBITDA(2)	**646**	639
EBITDA margin(2)	**6.6%**	6.6%
Net earnings	**222**	236
Basic net earnings per common share(1) ($)	**0.79**	0.84
Working capital(2)	**1,748**	1,976
Cash and cash equivalents, short term investments and security deposits	**1,828**	1,991
Cash flows from operating activities	**490**	694
Adjusted debt(2)	**4,820**	4,741
Adjusted debt(2) to rolling year EBITDA(2)	**2.4x**	2.3x
Adjusted debt(2) to equity(2)	**0.7:1**	0.8:1
Free cash flow(2)	**216**	307
Interest coverage(2)	**4.1x**	4.4x
Rolling year return on average net assets(2)	**10.5%**	12.2%
Rolling year return on average shareholders' equity	**11.1%**	13.4%
Retail Segment:		
Same-store sales (decline) growth	**(0.2%)**	1.3%
Gross profit	**$ 2,104**	$ 2,071
Gross profit percentage	**21.9%**	21.7%
Operating margin(1)	**3.9%**	4.2%
Financial Services Segment:		
Annualized yield on average quarterly gross credit card receivables(1)	**12.8%**	12.7%
Annualized credit loss rate on average quarterly gross credit card receivables(1)	**4.4%**	4.3%

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Consolidated Results of Operations

For the periods ended October 6, 2012 and October 8, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (16 weeks)**	2011 (16 weeks)	$ Change	% Change	**2012 (40 weeks)**	2011 (40 weeks)	$ Change	% Change
Revenue	**$ 9,827**	$ 9,727	$ 100	1.0%	**$ 24,139**	$ 23,877	$ 262	1.1%
Operating income	**405**	421	(16)	(3.8%)	**934**	1,069	(135)	(12.6%)
Net earnings	**222**	236	(14)	(5.9%)	**507**	595	(88)	(14.8%)
Basic net earnings per common share ($)	**0.79**	0.84	(0.05)	(6.0%)	**1.80**	2.11	(0.31)	(14.7%)
Operating margin(1)	**4.1%**	4.3%			**3.9%**	4.5%		
EBITDA(2)	**$ 646**	$ 639	$ 7	1.1%	**$ 1,524**	$ 1,598	$ (74)	(4.6%)
EBITDA margin(2)	**6.6%**	6.6%			**6.3%**	6.7%		

Revenue The $100 million increase in revenue compared to the third quarter of 2011 and the $262 million increase in revenue for the first three 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 $16 million compared to the third quarter of 2011. Year-to-date operating income decreased by $135 million compared to 2011. Retail operating income decreased by $24 million compared to the third quarter of 2011 and $142 million year-to-date. Financial Services operating income increased by $8 million compared to the third quarter of 2011 and increased by $7 million year-to-date. Operating margin(1) was 4.1% for the third quarter of 2012 compared to 4.3% in the same quarter in 2011 and 3.9% year-to-date compared to 4.5% in 2011.

For full-year 2012, the Company now expects that $50 million of incremental investment in its customer proposition will not be covered by operations, an increase of $10 million from the amount previously disclosed. Of this amount, $15 million was incurred in the third quarter of 2012, $10 million of which was in labour and $5 million in shrink. Year-to-date, this amount was $40 million, comprised of $20 million in price and $5 million in shrink, both of which were included in gross profit, and $15 million in labour.

Consolidated operating income included the following notable items:

- Incremental costs of $29 million during the third quarter and $44 million year-to-date related to investments in IT and supply chain including the following charges:
  - $100 million (2011 – $78 million) in the third quarter and $237 million (2011 – $199 million) year-to-date related to IT costs;
  - $70 million (2011 – $55 million) in the third quarter and $168 million (2011 – $129 million) year-to-date related to depreciation and amortization;
  - Nil (2011 – nil) in the third quarter and $9 million (2011 – $23 million) year-to-date related to changes in the distribution network; and
  - $3 million (2011 – $11 million) in the third quarter and $8 million (2011 – $27 million) year-to-date related to other supply chain project costs;
- A $9 million charge (2011 – $15 million) in the third quarter and $26 million (2011 – $23 million) year-to-date related to the effect of share-based compensation net of equity forwards;
- An $8 million charge (2011 – $12 million) in the third quarter and $33 million (2011 – $12 million) 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 nil gain (2011 – $14 million) in the third quarter and year-to-date related to the sale of a portion of a property in North Vancouver, British Columbia;

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(2) See Non-GAAP Financial Measures on page 21 of this report.

- A nil charge (2011 – $15 million) 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.

Net Interest Expense and Other Financing Charges In the third quarter of 2012, net interest expense and other financing charges increased by $5 million, or 5.3%, to $100 million compared to the third quarter of 2011 primarily as a result of favourable interest rate swaps that matured in the third quarter of 2011. Year-to-date, net interest expense and other financing charges increased by $5 million to $251 million compared to 2011, primarily due to an increase in year-over-year capital lease interest expense and the maturity of interest rate swaps in the third quarter of 2011, partially offset by the net repayments of credit card receivables in 2011.

Income Taxes The third quarter and year-to-date income tax expenses were $83 million (2011 – $90 million) and $176 million (2011 – $228 million) respectively. The effective income tax rates for the third quarter and year-to-date 2012 were 27.2% (2011 – 27.6%) and 25.8% (2011 – 27.7%), respectively. These decreases were primarily due to further reductions in the Federal and Ontario statutory income tax rates and a recovery on the revaluation of deferred tax assets on the enactment of the revised Ontario corporate income tax rate, partially offset by an increase in non-deductible amounts. The year-to-date effective income tax rate was further impacted by a decrease in income tax expense related to certain prior year income tax matters.

Net Earnings Net earnings for the third quarter of 2012 decreased by $14 million, or 5.9%, compared to the third quarter of 2011 and decreased on a year-to-date basis by $88 million, or 14.8% compared to the same period in 2011. Basic net earnings per common share for the third quarter decreased by 6.0%, to $0.79 from $0.84 in the third quarter of 2011 and year-to-date decreased by 14.7% to $1.80 compared to $2.11 for the same period last year.

Basic net earnings per common share for the third quarter of 2012 and year-to-date were impacted by the following notable items:

- A $0.07 charge in the third quarter and $0.11 year-to-date related to incremental costs related to the incremental investments in IT and supply chain;
- A $0.03 (2011 – $0.05) charge in the third quarter and $0.09 (2011 – $0.07) year-to-date for the effect of share-based compensation net of equity forwards;
- A $0.02 charge (2011 – $0.03) in the third quarter and $0.08 (2011 – $0.03) year-to-date related to the transition of certain Ontario conventional stores under collective agreements ratified in the third quarter of 2010;
- A nil gain (2011 – $0.04) in the third quarter and year-to-date related to the sale of a portion of a property in North Vancouver, British Columbia;
- A nil charge (2011 – $0.04) year-to-date related to certain prior years' commodity tax matters; and
- A nil charge (2011 – $0.02) year-to-date related to the re-alignment of the Retail segment.

Subsequent to the end of the third quarter of 2012, the Company announced its plan to reduce a number of head office and administrative positions. Focused primarily on management and office positions, the plan is expected to affect approximately 700 jobs. The Company expects to take an estimated charge of $60 million in the fourth quarter of 2012, reflecting the anticipated costs of the planned reductions.

Reportable Operating Segments

Retail

For the periods ended October 6, 2012 and October 8, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (16 weeks)**	2011 (16 weeks)	$ Change	% Change	**2012 (40 weeks)**	2011 (40 weeks)	$ Change	% Change
Sales	**$ 9,627**	$ 9,563	$ 64	0.7%	**$ 23,671**	$ 23,477	$ 194	0.8%
Gross profit	**2,104**	2,071	33	1.6%	**5,244**	5,251	(7)	(0.1%)
Operating income	**373**	397	(24)	(6.0%)	**873**	1,015	(142)	(14.0%)
Same-store sales (decline) growth	**(0.2%)**	1.3%			**(0.2%)**	0.4%		
Gross profit percentage	**21.9%**	21.7%			**22.2%**	22.4%		
Operating margin(1)	**3.9%**	4.2%			**3.7%**	4.3%		

Sales In the third quarter of 2012, the increase in Retail sales of $64 million, or 0.7%, over the same period in the prior year was impacted by the following factors:

- Same-store sales decline was 0.2% (2011 – 1.3% growth);
- Sales growth in food, drugstore and gas bar was modest;
- 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 third quarter of 2012 and moderate average quarterly food price inflation during the third quarter of 2011, which were lower than the average quarterly national food price inflation of 1.8% (2011 – 4.9%) 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
- 19 corporate and franchise stores were opened and eight corporate and franchise stores were closed in the last twelve months, resulting in a net increase of 0.3 million square feet, or 0.6%.

On a year-to-date basis, sales increased by $194 million, or 0.8%, compared to the same period in 2011 driven primarily by the factors noted above. Year-to-date same-store sales decline was 0.2% (2011 – 0.4% growth).

Gross Profit In the third quarter of 2012, gross profit increased by $33 million compared to the third quarter of 2011 and gross profit percentage was 21.9%, an increase from 21.7% in the third quarter of 2011. These increases were primarily driven by improved buying synergies and vendor management and decreased transportation costs, partially offset by increases in promotional pricing programs and shrink. Increased shrink expense included an estimated $5 million of the incremental investment in the Company's customer proposition related to improved assortment in stores that was not covered by operations.

Year-to-date gross profit decreased by $7 million and gross profit percentage was 22.2% compared to 22.4% in the comparable period of 2011. These declines were primarily driven by higher input costs outpacing internal food price inflation and increased transportation costs, partially offset by improvements in the performance of the Company's franchise business. On a year-to-date basis, gross profit included an estimated $25 million of the incremental investment in the Company's customer proposition that was not covered by operations, of which $20 million was in higher input costs that were not passed on to the consumer and $5 million was in shrink related to improved assortment in stores.

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

Operating Income In the third quarter of 2012, operating income decreased by $24 million compared to the third quarter of 2011 and operating margin[(1)] was 3.9% compared to 4.2% in the same period in 2011. In addition to the notable items described in the Consolidated Results of Operations above, operating income and operating margin[(1)] were negatively impacted by an increase in labour and other operating costs, partially offset by increases in foreign exchange gains and gross profit. In the third quarter of 2012, the increase in labour costs included an estimated $10 million of the incremental investment in the Company's customer proposition related to improved service in stores that was not covered by operations.

Year-to-date operating income decreased by $142 million compared to 2011 and operating margin[(1)] was 3.7% compared to 4.3% 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[(1)] were negatively impacted by an increase in labour and other operating costs and a decrease in gross profit, partially offset by increased foreign exchange gains. The year-to-date increase in labour costs included an estimated $15 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 October 6, 2012 and October 8, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (16 weeks)**	2011 (16 weeks)	$ Change	% Change	**2012 (40 weeks)**	2011 (40 weeks)	$ Change	% Change
Revenue	**$ 200**	$ 164	$ 36	22.0%	**$ 468**	$ 400	$ 68	17.0%
Operating income	**32**	24	8	33.3%	**61**	54	7	13.0%
Earnings before income taxes	**19**	10	9	90.0%	**27**	17	10	58.8%

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**As at October 6, 2012**	As at October 8, 2011	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,055**	$ 1,942	$ 113	5.8%
Credit card receivables	**2,073**	1,911	162	8.5%
Allowance for credit card receivables	**39**	33	6	18.2%
Annualized yield on average quarterly gross credit card receivables[(1)]	**12.8%**	12.7%		
Annualized credit loss rate on average quarterly gross credit card receivables[(1)]	**4.4%**	4.3%		

Revenue Revenue for the third quarter of 2012 increased by $36 million or 22.0% compared to the third quarter of 2011. Year-to-date revenue increased by $68 million or 17.0% compared to 2011. These increases were primarily driven by higher *PC* Telecom revenues resulting from the launch of the Mobile Shop kiosk business in the fourth quarter of 2011 and higher interest income and interchange fee income from increased credit card receivable transaction values and receivable balances.

Operating Income Operating income for the third quarter of 2012 increased by $8 million or 33.3% compared to the third quarter of 2011 and year-to-date operating income increased by $7 million or 13.0% compared to 2011. These increases were mainly attributable to the higher revenue described above, partially offset by investments in the launch of the Mobile Shop kiosk business and credit card losses on higher receivable balances. The year-to-date increase was also negatively affected by higher *PC* Points loyalty costs.

Earnings Before Income Taxes Earnings before income taxes increased by $9 million in the third quarter of 2012 compared to the third quarter of 2011, primarily driven by the increase in operating income described above. Year-to-date earnings before income taxes increased by $10 million or 58.8% compared to 2011, as a result of the higher operating income described above and a decrease in net interest expense and other financing charges due to lower securitization costs.

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

Financial Condition

Working Capital(1) As at October 6, 2012, working capital(1) was $1,748 million compared to $1,976 million as at October 8, 2011, a decrease of $228 million year-over-year. The decrease was primarily driven by the Company's investments in fixed and intangible asset purchases, as well as dividends and interest paid and repayments of long term debt in the last 12 months.

Free Cash Flow(2) For the third quarter of 2012, free cash flow(2) was $216 million compared to $307 million in the third quarter of 2011, a decrease of $91 million. The decrease was primarily due to a change in non-cash working capital partially offset by a decrease in fixed asset purchases. Year-to-date free cash flow(2) decreased by $120 million in 2012, to $348 million, from $468 million in 2011. This decrease was primarily due to a decrease in EBITDA(2) and the change in non-cash working capital requirements.

Adjusted Debt(2) As at October 6, 2012, adjusted debt(2) was $4,820 million compared to $4,741 million as at October 8, 2011, and $4,765 million as at December 31, 2011. These increases were primarily due to additional drawings by the independent funding trusts and capital lease obligations.

Dividends Subsequent to the end of the third quarter, the Company amended its dividend policy to state: the declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Board of Directors ("Board") which takes into account the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time. Over the long term, it is the Company's intention to increase the amount of the dividend while retaining appropriate free cash flow to finance future growth. During the third quarter of 2012, the Company's Board declared dividends of $0.21 (2011 – $0.21) per common share with a payment date of October 1, 2012 and $0.63 (2011 – $0.63) year-to-date per common share and $0.37 (2011 – $0.37) per Second Preferred Shares, Series A with a payment date of October 31, 2012 and $1.12 (2011 – $1.12) 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 $11 million (2011 – $11 million) for the 16 and 40 weeks ended October 6, 2012 and October 8, 2011, respectively, are included as a component of net interest expense and other financing charges in the condensed consolidated statements of earnings. 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. Subsequent to the end of the third quarter of 2012, the Board raised the quarterly dividend by approximately 4.8%, to $0.22 per common share, payable December 30, 2012 and declared a quarterly dividend of $0.37 per Second Preferred Shares, Series A, payable January 31, 2013.

Normal Course Issuer Bid During the third quarter of 2012, the Company purchased for cancellation 65,731 (2011 – 526,267) and 177,477 (2011 – 606,267) year-to-date common shares, resulting in a charge to retained earnings of $2 million (2011 – $19 million) and $5 million (2011 – $19 million) year-to-date for the premium on the common shares, and a nominal (2011 – nominal) and $1 million (2011 – $3 million) year-to-date reduction in common share capital. During the second quarter of 2012, the Company renewed its Normal Course Issuer Bid 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.

(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 21 of this report.

Cross Currency Swaps As at October 6, 2012, Glenhuron Bank Limited ("Glenhuron") held cross currency swaps to exchange United States dollars ("USD") for $1,200 million Canadian dollars (October 8, 2011 – $1,247 million; December 31, 2011 – $1,252 million), which mature by 2019. During the third quarter of 2012, a fair value gain of $50 million (2011 – loss of $72 million) and a gain of $50 million (2011 – loss of $50 million) year-to-date was recognized in operating income relating to these cross currency swaps. In addition, during the third quarter of 2012, the Company recognized in operating income a foreign exchange translation loss of $47 million (2011 – gain of $65 million) and a loss of $47 million (2011 – gain of $45 million) year-to-date related to USD $1,112 million (October 8, 2011 – $1,088 million; December 31, 2011 – $1,073 million) of cash and cash equivalents, short term investments and security deposits, held primarily by Glenhuron.

In 2008, the Company entered into fixed cross currency swaps to exchange $148 million Canadian dollars for USD $150 million, which mature in the second quarter of 2013 and entered into additional fixed cross currency swaps to exchange $148 million Canadian dollars for USD $150 million, which mature in 2015. During the third quarter of 2012, the Company recognized in operating income an unrealized fair value loss of $14 million (2011 – gain of $15 million) and a loss of $12 million (2011 – gain of $9 million) year-to-date on these cross currency swaps. In addition, during the third quarter of 2012, the Company recognized in operating income an unrealized foreign currency exchange translation gain of $12 million (2011 – loss of $18 million) and a gain of $12 million (2011 – loss of $12 million) year-to-date related to the $300 million fixed-rate private placement notes.

Interest Rate Swaps The Company maintains a notional $150 million (October 8, 2011 − $150 million; December 31, 2011 – $150 million) in interest rate swaps that mature by the third quarter of 2013, on which it pays a fixed rate of 8.38%. During the third quarter of 2012, the Company recognized a fair value gain of $2 million (2011 – nominal loss) and a gain of $5 million (2011 – $2 million) year-to-date in operating income related to these swaps.

Equity Forward Contracts As at October 6, 2012, Glenhuron, had cumulative equity forward contracts to buy 1.1 million (October 8, 2011 – 1.5 million; December 31, 2011 – 1.1 million) of the Company's common shares at an average forward price of $56.41 (October 8, 2011 – $56.22; December 31, 2011 – $56.38), including interest income of $0.02 (October 8, 2011 – nil; December 31, 2011 – $0.05) per common share. The contracts mature in the first quarter of 2013. As at October 6, 2012, the cumulative interest and unrealized market loss of $25 million (October 8, 2011 – $29 million; December 31, 2011 – $20 million) was included in trade payables and other liabilities. During the third quarter of 2012, a fair value gain of $2 million (2011 – loss of $2 million) and a loss of $4 million year-to-date (2011 – loss of $4 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 (16 weeks)**	2011 (16 weeks)	$ Change	% Change	**2012 (40 weeks)**	2011 (40 weeks)	$ Change	% Change
Cash flows (used in) from:								
Operating activities	**$ 490**	$ 694	$ (204)	(29.4%)	**$ 1,032**	$ 1,194	$ (162)	(13.6%)
Investing activities	**(435)**	(363)	(72)	(19.8%)	**(766)**	(442)	(324)	(73.3%)
Financing activities	**(223)**	(125)	(98)	(78.4%)	**(477)**	(627)	150	23.9%

Cash Flows from Operating Activities For the third quarter of 2012, cash flows from operating activities were $490 million, which included EBITDA[(1)] of $646 million, partially offset by an increase in non-cash working capital of $84 million and income taxes paid of $63 million. The increase in non-cash working capital was primarily due to increases in accounts receivable and inventories as well as a decrease in accounts payable and other liabilities.

(1) See Non-GAAP Financial Measures on page 21 of this report.

The $204 million decrease in cash flows from operating activities compared to the third quarter of 2011 was primarily due to an increase in credit card receivables and non-cash working capital in the third quarter of 2012 compared to a decrease in the third quarter of 2011. The $162 million year-to-date decrease in cash flows from operating activities was primarily attributed to a decrease in EBITDA[1] and changes in non-cash working capital and credit card receivables.

Cash Flows used in Investing Activities Cash flows used in investing activities were $435 million in the third quarter of 2012, an increase of $72 million from the third quarter of 2011, primarily due to higher purchases of short term investments and lower proceeds from fixed asset sales, partially offset by lower fixed assets purchases.

On a year-to-date basis, cash flows used in investing activities were $766 million compared to $442 million in 2011. The increase of $324 million was mainly due to a reduction in security deposits in 2011 relating to the repayment of *Eagle Credit Card Trust ("Eagle")* notes, higher purchases of short term investments, higher fixed assets and intangible asset purchases, including the purchase of prescription files from 106 Zellers Inc. stores for $32 million, and lower proceeds from sale of fixed assets.

Capital Investment and Store Activity

As at or for the periods ended October 6, 2012 and October 8, 2011 (unaudited)	**2012 (40 weeks)**	2011 (40 weeks)	% Change
Capital investment (millions of Canadian dollars)	**$ 656**	$ 640	2.5%
Corporate square footage (in millions)	**37.4**	37.4	–
Franchise square footage (in millions)	**13.8**	13.5	2.2%
Retail square footage (in millions)	**51.2**	50.9	0.6%
Number of corporate stores	**579**	579	–
Number of franchise stores	**469**	458	2.4%
Percentage of corporate real estate owned	**72%**	72%	
Percentage of franchise real estate owned	**45%**	46%	
Average store size (square feet)			
Corporate	**64,500**	64,500	–
Franchise	**29,500**	29,600	(0.3%)

Cash Flows used in Financing Activities During the third quarter of 2012, cash flows used in financing activities were $223 million compared to $125 million in the third quarter of 2011. The increase of $98 million was primarily due to the reduction in Guaranteed Investment Certificate ("GIC") issuances.

On a year-to-date basis, cash flows used in financing activities were $477 million compared to $627 million in the comparable period in 2011. The change of $150 million was due to reductions in net repayments of long term debt, partially offset by the securitization of $370 million in credit card receivables in the first quarter of 2011. In 2011, the net repayments of long term debt consisted primarily of the repayment of the $500 million *Eagle* Series 2006-I Notes and the $350 million 6.50% medium term notes, partially offset by GIC issuances.

Defined Benefit Pension Plan Contributions During the first three quarters of 2012, the Company contributed $113 million (2011 – $83 million) to its registered funded defined benefit pension plans. The Company expects to contribute approximately $35 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 October 6, 2012, October 8, 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 October 6, 2012, there were no issuances under the Prospectus. During the fourth quarter of 2012, the Company will be renewing 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. Subsequent to the end of the third quarter of 2012, PC Bank amended and extended the maturity date for two of its independent securitization trust agreements from the third quarter of 2013 to the second quarter of 2015, with all other terms and conditions remaining substantially the same.

The Company has arranged letters of credit on behalf of PC Bank, representing 9% (October 8, 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 (October 8 , 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 third quarter of 2012, PC Bank sold $13 million (2011 – $80 million) and $15 million (2011 – $261 million) year-to-date in GICs through independent brokers. In addition, during the third quarter of 2012, $4 million (2011 – $4 million) and $47 million (2011 – $4 million) year-to-date of GICs matured and were repaid. As at October 6, 2012, $244 million (October 8, 2011 – $275 million; December 31, 2011 – $276 million) of outstanding GICs were recorded in long term debt, of which $35 million (October 8, 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 October 6, 2012, the independent funding trusts had drawn $458 million (October 8, 2011 – $420 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 October 6, 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 $132 million of which $91 million was deposited with major financial institutions and classified as security deposits as at October 6, 2012 (October 8, 2011 – nil; December 31, 2011 – $85 million).

During the third quarter of 2012, Standard & Poor's reaffirmed the Company's credit rating and outlook. Subsequent to the end of the third quarter of 2012, Dominion Bond Rating Service reaffirmed the Company's credit rating and trend. 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

	Third Quarter		Second Quarter		First Quarter		Fourth Quarter	
(millions of Canadian dollars except where otherwise indicated) (unaudited)	**2012 (16 weeks)**	**2011 (16 weeks)**	2012 (12 weeks)	2011 (12 weeks)	2012 (12 weeks)	2011 (12 weeks)	2011 (12 weeks)	2010 (12 weeks)
Revenue	**$ 9,827**	**$ 9,727**	$ 7,375	$ 7,278	$ 6,937	$ 6,872	$ 7,373	$ 7,119
Net earnings	**$ 222**	**$ 236**	$ 159	$ 197	$ 126	$ 162	$ 174	$ 165
Net earnings per common share								
Basic ($)	**$ 0.79**	**$ 0.84**	$ 0.57	$ 0.70	$ 0.45	$ 0.58	$ 0.62	$ 0.59
Diluted ($)	**$ 0.77**	**$ 0.83**	$ 0.56	$ 0.69	$ 0.45	$ 0.56	$ 0.60	$ 0.58
Average national food price inflation (as measured by CPI)	**1.8%**	**4.9%**	2.5%	4.0%	3.7%	2.5%	5.2%	1.5%
Retail same-store sales (decline) growth	**(0.2 %)**	**1.3%**	0.2%	(0.4%)	(0.7%)	(0.1%)	2.5%	(1.6%)

Since the fourth 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, costs related to certain prior years' commodity tax matters and gains recognized on fixed asset sales. 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 IFRS.

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 third 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 2012, the Company continued to make progress on the implementation of the new IT system and completed the addition of supply chain master data in the third quarter of 2012, in preparation for the next stages in the implementation process. This master data, including delivery schedules, replenishment and costing information, now originates in the new system. The Company continues to remain focused on the first distribution centre and store go-live dates, which are scheduled to take place in the fourth 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 legislation may be amended, which could lead to reassessments. These reassessments may have a material impact on the Company in future periods. During the third quarter of 2012, 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 2012, the majority of provincial governments announced or enacted amendments to the regulation of generic prescription drug prices paid by provincial governments pursuant to public drug benefit plans. All provinces have now announced various forms of amendments to the regulation of generic drug pricing. 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. Ontario also introduced amendments that reduced transition fee payments to pharmacy. 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.

Change Management In October, 2012, as part of the Company's long-term strategic plan and its commitment to becoming a more efficient Company, reducing costs and to investing in value, assortment and service for its customers, the Company announced its plan to reduce a number of head office and administrative positions. Focused primarily on management and office positions, the plan is expected to affect approximately 700 jobs. The Company expects to take an estimated charge of $60 million in the fourth quarter of 2012, reflecting the anticipated costs of the planned reductions.

While these changes are expected to bring benefits to the Company in the form of a more agile and efficient operating business, success is dependent on management effectively implementing these changes. Ineffective change management may result in disruptions to the operations of the business or affect the ability of the Company to implement and achieve its strategic objectives, due to lack of clear accountabilities or lack of requisite knowledge, which may cause employees to act in a manner which is inconsistent with Company objectives. Any of these events could negatively impact the reputation, operations and financial performance of the Company. As a result, the Company may not always achieve the expected cost savings and other benefits of its initiative.

Accounting Standards Implemented in 2012

Financial Instruments – Disclosures In October 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 In December 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.

Future Accounting Standards

The following standards are required to be applied for periods beginning on or after January 1, 2013:

Consolidated Financial Statements In 2011, the IASB issued IFRS 10, "Consolidated Financial Statements" ("IFRS 10"). This IFRS standard replaces portions of IAS 27, "Consolidated and Separate Financial Statements" and supersedes Standing Interpretations Committee ("SIC") Interpretation 12, "Consolidation – Special Purpose Entities" ("SIC-12"). IFRS 10 defines principles of control and establishes the basis of determining when and how an entity should be included within a set of consolidated financial statements. The standard introduces a single control model that requires an entity to consolidate an investee when it has power, exposure to variability in returns and has the ability to use its power over the investee to affect its returns, regardless of whether voting rights are present. The Company expects to continue to consolidate the entities previously scoped into consolidation as special purpose entities under SIC-12 as structured entities. The Company is currently assessing the impact of the new standard on its consolidated financial statements as it pertains to its franchise arrangements, other entities and relationships.

Post-Employment and Other Long-Term Benefits In 2011, the IASB revised IAS 19, "Employee Benefits" ("IAS 19").The most significant amendments for the Company will be the requirement to immediately recognize all unvested past service costs and the replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. The amendments also require enhanced disclosures for defined benefit plans, including additional information on the characteristics and risks of those plans. Upon implementation of these amendments, the Company will restate its annual 2012 consolidated financial statements and anticipates an increase to opening retained earnings related to past service credits of approximately $3 million before tax and an increase in net interest expense and other financing costs of approximately $20 million. As a result, in 2013, post-employment and other long-term benefits expense will be accounted for on a consistent basis year-over-year.

In addition to the above standards, the Company will be implementing the following standards and amendments effective January 1, 2013: IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities", IAS 27, "Separate Financial Statements", IAS 28, "Investments in Associates", IFRS 13, "Fair Value Measurement" and IAS 1, "Presentation of Financial Statements". Furthermore, the Company will also implement IFRS 9, "Financial Instruments" as of January 1, 2015. The Company is currently assessing the impact of these standards and amendments on its consolidated financial statements.

In 2011, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures" and IAS 32, "Financial Instruments: Presentation", these amendments are required to be applied for periods beginning on or after January 1, 2014. The Company does not expect any significant impacts as a result of these amendments.

Outlook[(1)]

The Company is updating its fiscal 2012 outlook.

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 be approximately $40 million for the year.

With greater than anticipated supply chain project cost savings offsetting incremental IT investments, the Company now expects incremental costs related to investments in IT and supply chain to be approximately $65 million for the year, a decrease of $5 million from the amount previously disclosed.

To continue to drive progress in strengthening its competitive position, the Company has increased its incremental investment in its customer proposition to $50 million, from the $40 million previously disclosed.

The Company expects full-year net earnings per share to be down year-over-year, with earnings performance for the fourth quarter 2012, excluding the $60 million restructuring charge previously announced, to be generally in line with fourth quarter 2011.

(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 16 and 40 week periods ended October 6, 2012 and October 8, 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 (16 weeks)**	2011 (16 weeks)	**2012 (40 weeks)**	2011 (40 weeks)
Net earnings	**$ 222**	$ 236	**$ 507**	$ 595
Add impact of the following:				
Income taxes	**83**	90	**176**	228
Net interest expense and other financing charges	**100**	95	**251**	246
Operating income	**405**	421	**934**	1,069
Add impact of the following:				
Depreciation and amortization	**241**	218	**590**	529
EBITDA	**$ 646**	$ 639	**$ 1,524**	$ 1,598

Interest and Interest Coverage The following table reconciles interest expense used in the calculations of the interest coverage ratio to GAAP measures for the 16 and 40 week periods ended October 6, 2012 and October 8, 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 (16 weeks)**	2011 (16 weeks)	**2012 (40 weeks)**	2011 (40 weeks)
Net interest expense and other financing charges	**$ 100**	$ 95	**$ 251**	$ 246
Add: Interest capitalized to fixed assets	**–**	–	**1**	1
Interest expense	**$ 100**	$ 95	**$ 252**	$ 247

Free Cash Flow The following table reconciles free cash flow used in assessing the Company's financial condition to GAAP measures for the 16 and 40 week periods ended October 6, 2012 and October 8, 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 from (used in) operating activities excluding the change in credit card receivables, less fixed asset purchases.

(millions of Canadian dollars) (unaudited)	**2012 (16 weeks)**	2011 (16 weeks)	**2012 (40 weeks)**	2011 (40 weeks)
Cash flows from operating activities	**$ 490**	$ 694	**$ 1,032**	$ 1,194
Change in credit card receivables	**15**	(63)	**(28)**	(86)
Less: Fixed asset purchases	**289**	324	**656**	640
Free cash flow	**$ 216**	$ 307	**$ 348**	$ 468

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 October 6, 2012 (unaudited)**	As at October 8, 2011 (unaudited)	As at December 31, 2011
Total assets	**$ 17,354**	$ 16,909	$ 17,428
Less: Cash and cash equivalents	**749**	987	966
Short term investments	**836**	820	754
Security deposits	**243**	184	266
Trade payables and other liabilities	**3,307**	3,307	3,677
Net assets	**$ 12,219**	$ 11,611	$ 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 October 6, 2012 (unaudited)**	As at October 8, 2011 (unaudited)	As at December 31, 2011
Short term debt	**$ 905**	$ 905	$ 905
Long term debt due within one year	**219**	86	87
Long term debt	**5,373**	5,465	5,493
Certain other liabilities	**39**	35	39
Fair value of financial derivatives related to the above	**33**	30	22
Total debt	**$ 6,569**	$ 6,521	$ 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	**244**	275	276
Adjusted debt	**$ 4,820**	$ 4,741	$ 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 October 6, 2012 (unaudited)**	As at October 8, 2011 (unaudited)	As at December 31, 2011
Capital securities	**$ 222**	$ 221	$ 222
Shareholders' equity	**6,312**	5,948	6,007
Equity	**$ 6,534**	$ 6,169	$ 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 sedar.com and with the Office of the Superintendent of Financial Institutions (OSFI) as the primary regulator for the Company's subsidiary, PC Bank.

November 13, 2012
Toronto, Canada

Financial Results

Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**October 6, 2012 (16 weeks)**	October 8, 2011 (16 weeks)	**October 6, 2012 (40 weeks)**	October 8, 2011 (40 weeks)
Revenue	**$ 9,827**	$ 9,727	**$ 24,139**	$ 23,877
Cost of Merchandise Inventories Sold (note 8)	**7,538**	7,494	**18,454**	18,230
Selling, General and Administrative Expenses	**1,884**	1,812	**4,751**	4,578
Operating Income	**405**	421	**934**	1,069
Net interest expense and other financing charges (note 3)	**100**	95	**251**	246
Earnings Before Income Taxes	**305**	326	**683**	823
Income taxes (note 4)	**83**	90	**176**	228
Net Earnings	**$ 222**	$ 236	**$ 507**	$ 595
Net Earnings per Common Share ($) (note 5)				
Basic	**$ 0.79**	$ 0.84	$ **1.80**	$ 2.11
Diluted	**$ 0.77**	$ 0.83	$ **1.79**	$ 2.09

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

Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) (unaudited)	**October 6, 2012 (16 weeks)**	October 8, 2011 (16 weeks)	**October 6, 2012 (40 weeks)**	October 8, 2011 (40 weeks)
Net earnings	**$ 222**	$ 236	**$ 507**	$ 595
Other comprehensive income (loss), net of taxes				
Net defined benefit plan actuarial gain (loss)	**27**	(99)	**(38)**	(162)
Total Comprehensive Income	**$ 249**	$ 137	**$ 469**	$ 433

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	**–**	**507**	**–**	**–**	**507**
Other comprehensive loss	**–**	**(38)**	**–**	**–**	**(38)**
Total Comprehensive Income	**–**	**469**	**–**	**–**	**469**
Net effect of share-based compensation (note 16)	**9**	**–**	**10**	**–**	**19**
Common shares purchased for cancellation (note 14)	**(1)**	**(5)**	**–**	**–**	**(6)**
Dividends declared per common share ($) – $0.63 (note 14)	**–**	**(177)**	**–**	**–**	**(177)**
	8	**287**	**10**	**–**	**305**
Balance at October 6, 2012	**$ 1,548**	**$ 4,701**	**$ 58**	**$ 5**	**$ 6,312**

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	–	595	–	–	595
Other comprehensive loss	–	(162)	–	–	(162)
Total Comprehensive Income	–	433	–	–	433
Dividend Reinvestment Plan	43	–	–	–	43
Net effect of share-based compensation (note 16)	25	–	44	–	69
Common shares purchased for cancellation (note 14)	(3)	(19)	–	–	(22)
Dividends declared per common share ($) – $0.63 (note 14)	–	(178)	–	–	(178)
	65	236	44	–	345
Balance at October 8, 2011	$ 1,540	$ 4,358	$ 45	$ 5	$ 5,948

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

Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	**As at October 6, 2012**	As at October 8, 2011	As at December 31, 2011
Assets			
Current Assets			
Cash and cash equivalents (note 6)	**$ 749**	$ 987	$ 966
Short term investments (note 6)	**836**	820	754
Accounts receivable	**491**	404	467
Credit card receivables (note 7)	**2,073**	1,911	2,101
Inventories (note 8)	**1,946**	2,028	2,025
Prepaid expenses and other assets	**105**	152	117
Assets held for sale	**30**	30	32
Total Current Assets	**6,230**	6,332	6,462
Fixed Assets	**8,808**	8,486	8,725
Investment Properties	**97**	75	82
Goodwill and Intangible Assets (note 9)	**1,061**	1,023	1,029
Deferred Income Taxes	**255**	224	232
Security Deposits (note 6)	**243**	184	266
Franchise Loans Receivable	**365**	316	331
Other Assets (note 10)	**295**	269	301
Total Assets	**$ 17,354**	$ 16,909	$ 17,428
Liabilities			
Current Liabilities			
Trade payables and other liabilities	**3,307**	3,307	3,677
Provisions	**40**	48	35
Income taxes payable	**11**	10	14
Short term debt (note 11)	**905**	905	905
Long term debt due within one year (note 12)	**219**	86	87
Total Current Liabilities	**4,482**	4,356	4,718
Provisions	**46**	49	50
Long Term Debt (note 12)	**5,373**	5,465	5,493
Deferred Income Taxes	**24**	26	21
Capital Securities	**222**	221	222
Other Liabilities (note 13)	**895**	844	917
Total Liabilities	**11,042**	10,961	11,421
Shareholders' Equity			
Common Share Capital (note 14)	**1,548**	1,540	1,540
Retained Earnings	**4,701**	4,358	4,414
Contributed Surplus (note 16)	**58**	45	48
Accumulated Other Comprehensive Income	**5**	5	5
Total Shareholders' Equity	**6,312**	5,948	6,007
Total Liabilities and Shareholders' Equity	**$ 17,354**	$ 16,909	$ 17,428

Contingent liabilities (note 18). Subsequent event (note 20).

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

Condensed Consolidated Statements of Cash Flow

(millions of Canadian dollars) (unaudited)	**October 6, 2012 (16 weeks)**	October 8, 2011 (16 weeks)	**October 6, 2012 (40 weeks)**	October 8, 2011 (40 weeks)
Operating Activities				
Net earnings	**$ 222**	$ 236	**$ 507**	$ 595
Income taxes (note 4)	**83**	90	**176**	228
Net interest expense and other financing charges (note 3)	**100**	95	**251**	246
Depreciation and amortization	**241**	218	**590**	529
Income taxes paid	**(63)**	(66)	**(185)**	(162)
Interest received	**7**	6	**34**	42
Change in credit card receivables (note 7)	**(15)**	63	**28**	86
Change in non-cash working capital	**(84)**	73	**(376)**	(340)
Fixed assets and other related impairments	**4**	–	**7**	9
(Gain)/loss on disposal of assets	**1**	(12)	**(1)**	(11)
Other	**(6)**	(9)	**1**	(28)
Cash Flows from Operating Activities	**490**	694	**1,032**	1,194
Investing Activities				
Fixed asset purchases	**(289)**	(324)	**(656)**	(640)
Change in short term investments	**(151)**	(74)	**(115)**	(33)
Proceeds from fixed asset sales	**17**	45	**33**	51
Change in franchise investments and other receivables	**(4)**	(19)	**(1)**	9
Change in security deposits	**(5)**	10	**17**	177
Goodwill and intangible asset additions (note 9)	**(3)**	(1)	**(44)**	(6)
Cash Flows used in Investing Activities	**(435)**	(363)	**(766)**	(442)
Financing Activities				
Change in bank indebtedness	**–**	–	**–**	(10)
Change in short term debt (note 11)	**–**	–	**–**	370
Long term debt				
Issued (note 12)	**12**	104	**49**	320
Retired (note 12)	**(24)**	(28)	**(97)**	(893)
Interest paid	**(94)**	(64)	**(253)**	(277)
Dividends paid (note 14)	**(118)**	(118)	**(177)**	(134)
Common shares				
Issued (note 14)	**3**	–	**7**	19
Purchased for cancellation (note 14)	**(2)**	(19)	**(6)**	(22)
Cash Flows used in Financing Activities	**(223)**	(125)	**(477)**	(627)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**(6)**	7	**(6)**	5
Change in Cash and Cash Equivalents	**(174)**	213	**(217)**	130
Cash and Cash Equivalents, Beginning of Period	**923**	774	**966**	857
Cash and Cash Equivalents, End of Period	**$ 749**	$ 987	**$ 749**	$ 987

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 October 6, 2012 and October 8, 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 21).

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 November 13, 2012.

Accounting Standards Implemented in 2012

Financial Instruments – Disclosures In October 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 In December 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.

Future Accounting Standards

The following standards are required to be applied for periods beginning on or after January 1, 2013:

Consolidated Financial Statements In 2011, the IASB issued IFRS 10, "Consolidated Financial Statements" ("IFRS 10"). This IFRS standard replaces portions of IAS 27, "Consolidated and Separate Financial Statements" and supersedes Standing Interpretations Committee ("SIC") Interpretation 12, "Consolidation – Special Purpose Entities" ("SIC-12"). IFRS 10 defines principles of control and establishes the basis of determining when and how an entity should be included within a set of consolidated financial statements. The standard introduces a single control model that requires an entity to consolidate an investee when it has power, exposure to variability in returns and has the ability to use its power over the investee to affect its returns, regardless of whether voting rights are present. The Company expects to continue to consolidate the entities previously scoped into consolidation as special purpose entities under SIC-12 as structured entities. The Company is currently assessing the impact of the new standard on its consolidated financial statements as it pertains to its franchise arrangements, other entities and relationships.

Post-Employment and Other Long-Term Benefits In 2011, the IASB revised IAS 19, "Employee Benefits" ("IAS 19").The most significant amendments for the Company will be the requirement to immediately recognize all unvested past service costs and the replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. The amendments also require enhanced disclosures for defined benefit plans, including additional information on the characteristics and risks of those plans. Upon implementation of these amendments, the Company will restate its annual 2012 consolidated financial statements and anticipates an increase to opening retained earnings related to past service credits of approximately $3 million before tax and an increase in net interest expense and other financing costs of approximately $20 million. As a result, in 2013, post-employment and other long term benefits expense will be accounted for on a consistent basis year-over-year.

In addition to the above standards, the Company will be implementing the following standards and amendments effective January 1, 2013: IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities", IAS 27, "Separate Financial Statements", IAS 28, "Investments in Associates", IFRS 13, "Fair Value Measurement" and IAS 1, "Presentation of Financial Statements". Furthermore, the Company will also implement IFRS 9, "Financial Instruments" as of January 1, 2015. The Company is currently assessing the impact of these standards and amendments on its consolidated financial statements.

In 2011, the IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures" and IAS 32, "Financial Instruments: Presentation", these amendments are required to be applied for periods beginning on or after January 1, 2014. The Company does not expect any significant impacts as a result of these amendments.

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

(millions of Canadian dollars)	**October 6, 2012 (16 weeks)**	October 8, 2011 (16 weeks)	**October 6, 2012 (40 weeks)**	October 8, 2011 (40 weeks)
Interest expense and other financing charges:				
Long term debt	**$ 87**	$ 86	**$ 219**	$ 215
Defined benefit and other long term employee benefit plan obligations	**27**	27	**67**	69
Borrowings related to credit card receivables	**11**	11	**28**	33
Independent funding trusts	**5**	4	**12**	12
Dividends on capital securities	**4**	4	**11**	11
Less: Capitalized interest	**–**	–	**(1)**	(1)
	134	132	**336**	339
Interest income:				
Expected return on pension plan assets	**(24)**	(25)	**(61)**	(62)
Accretion income	**(6)**	(6)	**(14)**	(15)
Short term interest income	**(2)**	(1)	**(6)**	(5)
Financial derivative instruments	**(2)**	(5)	**(3)**	(11)
Security deposits	**–**	–	**(1)**	–
	(34)	(37)	**(85)**	(93)
Net interest expense and other financing charges	**$ 100**	$ 95	**$ 251**	$ 246

Note 4. Income Taxes

The third quarter and year-to-date income tax expenses were $83 million (2011 – $90 million) and $176 million (2011 – $228 million) respectively. The effective income tax rates for the third quarter and year-to-date 2012 were 27.2% (2011 – 27.6%) and 25.8% (2011 – 27.7%), respectively. These decreases were primarily due to further reductions in the Federal and Ontario statutory income tax rates and a recovery on the revaluation of deferred tax assets on the enactment of the revised Ontario corporate income tax rate, partially offset by an increase in non-deductible amounts. The year-to-date effective income tax rate was further impacted by a decrease in income tax expense related to certain prior year income tax matters.

Note 5. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	**October 6, 2012 (16 weeks)**	October 8, 2011 (16 weeks)	**October 6, 2012 (40 weeks)**	October 8, 2011 (40 weeks)
Net earnings for basic earnings per share	**$ 222**	$ 236	**$ 507**	$ 595
Impact of dividends on capital securities	**4**	4	**11**	11
Impact of equity forwards	**(2)**	–	**–**	–
Net earnings for diluted earnings per share	**$ 224**	$ 240	**$ 518**	$ 606
Weighted average common shares outstanding (in millions)	**281.4**	282.0	**281.4**	281.6
Dilutive effect of capital securities (in millions)	**7.0**	6.4	**7.0**	6.4
Dilutive effect of share-based compensation (in millions)	**0.3**	0.5	**0.3**	0.7
Dilutive effect of equity forwards (in millions)	**0.8**	–	**–**	–
Dilutive effect of certain other liabilities (in millions)	**1.0**	1.0	**1.0**	1.0
Diluted weighted average common shares outstanding (in millions)	**290.5**	289.9	**289.7**	289.7
Basic net earnings per common share ($)	**$ 0.79**	$ 0.84	**$ 1.80**	$ 2.11
Diluted net earnings per common share ($)	**$ 0.77**	$ 0.83	**$ 1.79**	$ 2.09

For the third quarter of 2012, 11,246,848 (2011 – 8,787,879) and 11,904,396 (2011 – 8,688,052) 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

(millions of Canadian dollars)	**As at October 6, 2012**	As at October 8, 2011	As at December 31, 2011
Cash	**$ 172**	$ 191	$ 232
Cash equivalents:			
Bankers' acceptances	**168**	38	150
Government treasury bills	**219**	531	227
Bank term deposits	**47**	100	170
Corporate commercial paper	**122**	102	132
Government agencies securities	**21**	25	–
Other	**–**	–	55
Total cash and cash equivalents	**$ 749**	$ 987	$ 966

Short Term Investments

(millions of Canadian dollars)	**As at October 6, 2012**	As at October 8, 2011	As at December 31, 2011
Bankers' acceptances	**$ 16**	$ –	$ –
Government treasury bills	**382**	180	252
Corporate commercial paper	**161**	341	280
Government agencies securities	**276**	200	221
Other	**1**	99	1
Total short term investments	**$ 836**	$ 820	$ 754

Security Deposits

(millions of Canadian dollars)	**As at October 6, 2012**	As at October 8, 2011	As at December 31, 2011
Cash	**$ 90**	$ –	$ 85
Government treasury bills	**118**	115	108
Government agencies securities	**35**	69	73
Total security deposits	**$ 243**	$ 184	$ 266

Note 7. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)	**As at October 6, 2012**	As at October 8, 2011	As at December 31, 2011
Gross credit card receivables	**$ 2,112**	$ 1,944	$ 2,138
Allowance for credit card receivables	**(39)**	(33)	(37)
Credit card receivables	**$ 2,073**	$ 1,911	$ 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 SIC-12. 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. Subsequent to the end of the third quarter of 2012, PC Bank amended and extended the maturity date for two of its independent securitization trust agreements from the third quarter of 2013 to the second quarter of 2015, with all other terms and conditions remaining substantially the same.

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% (October 8, 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 (October 8, 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 October 6, 2012, the Company recorded $11 million (October 8, 2011 – $16 million) year-to-date 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 quarter ended October 6, 2012 (October 8, 2011 – nil).

Note 9. Goodwill and Intangible Assets

During the third quarter of 2012, the Company had $3 million (2011 – $1 million) of goodwill and intangible asset additions and $44 million (2011 – $6 million) year-to-date, of which $2 million in the third quarter of 2012 (2011 – nil) and $32 million (2011 – nil) year-to-date was related to the purchase of prescription files from 106 Zellers Inc. stores, which were classified as definite life intangible assets.

Note 10. Other Assets

(millions of Canadian dollars)		**As at October 6, 2012**		As at October 8, 2011		As at December 31, 2011
Fair value of cross currency swaps (note 17)	**$**	**126**	$	92	$	103
Sundry investments and other receivables		**131**		135		166
Other		**38**		42		32
Other assets	**$**	**295**	$	269	$	301

Note 11. Short Term Debt

During the third 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 (2011 – nil) (see note 7).

Note 12. Long Term Debt

Guaranteed Investment Certificates During the third quarter of 2012, PC Bank sold $13 million (2011 – $80 million) and $15 million (2011 – $261 million) year-to-date in Guaranteed Investment Certificates ("GICs") through independent brokers. In addition, during the third quarter of 2012, $4 million (2011 – $4 million) and $47 million (2011 – $4 million) year-to-date of GICs matured and were repaid. As at October 6, 2012, $244 million (October 8, 2011 – $275 million; December 31, 2011 – $276 million) of outstanding GICs were recorded in long term debt, of which $35 million (October 8, 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 October 6, 2012, the independent funding trusts had drawn $458 million (October 8, 2011 – $420 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 October 6, 2012, the Company had provided a letter of credit in the amount of $48 million (October 8, 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 October 6, 2012, October 8, 2011 and December 31, 2011, the Company had not drawn on this facility.

Private Placement Notes As at October 6, 2012, $294 million (October 8, 2011 – $312 million; December 31, 2011 – $306 million) of private placement notes ("USPP") was recorded as long term debt, of which $147 million (October 8, 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

(millions of Canadian dollars)	**As at October 6, 2012**	As at October 8, 2011	As at December 31, 2011
Defined benefit plan liability (note 15)	**$ 571**	$ 522	$ 579
Other long term employee benefit liability	**112**	106	118
Deferred vendor allowances	**26**	34	32
Share-based compensation liability (note 16)	**16**	13	15
Other	**170**	169	173
Other liabilities	**$ 895**	$ 844	$ 917

Note 14. Share Capital

Common Shares (authorized – unlimited) At the end of the third quarter of 2012, the Company's common shares issued and outstanding were 281,451,638 (October 8, 2011 – 281,746,129; December 31, 2011 – 281,385,318).

Dividends Subsequent to the end of the third quarter, the Company amended its dividend policy to state: the declaration and payment of dividends on the Company's common shares and the amount thereof are at the discretion of the Board which takes into account the Company's financial results, capital requirements, available cash flow, future prospects of the Company's business and other factors considered relevant from time to time. Over the long term, it is the Company's intention to increase the amount of the dividend while retaining appropriate free cash flow to finance future growth. During the third quarter of 2012, the Company's Board declared dividends of $0.21 (2011 – $0.21) per common share with a payment date of October 1, 2012 and $0.63 (2011 – $0.63) year-to-date per common share and $0.37 (2011 – $0.37) per Second Preferred Shares, Series A with a payment date of October 31, 2012 and $1.12 (2011 – $1.12) 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 $11 million (2011 – $11 million) for the 16 and 40 weeks ended October 6, 2012 and October 8, 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 third quarter of 2012, the Board raised the quarterly dividend by approximately 4.8%, to $0.22 per common share, payable December 30, 2012, and declared a quarterly dividend of $0.37 per Second Preferred Share, Series A, payable January 31, 2013.

Normal Course Issuer Bid During the third quarter of 2012, the Company purchased for cancellation 65,731 (2011 – 526,267) and 177,477 (2011 – 606,267) year-to-date common shares, resulting in a charge to retained earnings of $2 million (2011 – $19 million) and $5 million (2011 – $19 million) year-to date for the premium on the common shares, and a nominal (2011 – nominal) and $1 million (2011 – $3 million) year-to-date reduction in common share capital. During the second quarter of 2012, the Company renewed its Normal Course Issuer Bid 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 (gains) losses related to the Company's post-employment and other long term employee benefits were recorded as follows:

(millions of Canadian dollars)	**October 6, 2012 (16 weeks)**	October 8, 2011 (16 weeks)	**October 6, 2012 (40 weeks)**	October 8, 2011 (40 weeks)
Post-employment benefit cost recognized in operating income	**$ 43**	$ 39	**$ 113**	$ 101
Other long term employee benefits cost recognized in operating income	**5**	3	**15**	8
Post-employment and other long term employee benefit costs included in net interest expense and other financing charges (note 3)	**3**	2	**6**	7
Actuarial (gains) losses before income taxes recognized in other comprehensive income (loss)	**(35)**	133	**52**	218

The post-employment benefit cost included costs for the Company's defined benefit plans, defined contribution pension plans and the multi-employer pension plans in which it participates. The other long term employee benefits cost included costs for the Company's long term disability plan. The actuarial gains recognized in other comprehensive income in the third quarter of 2012 were due to higher than expected returns on assets, partially offset by decreases in the discount rates. The year-to-date actuarial losses recognized in other comprehensive loss in 2012 were primarily due to decreases in the discount rates, partially offset by higher than expected returns on assets. The actuarial losses recognized in other comprehensive loss in the third 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:

(millions of Canadian dollars)	**October 6, 2012 (16 weeks)**	October 8, 2011 (16 weeks)	**October 6, 2012 (40 weeks)**	October 8, 2011 (40 weeks)
Stock option plan expense	**$ 6**	$ 5	**$ 14**	$ 8
Equity forwards (income) expense	**(2)**	2	**4**	4
RSU and PSU plan expense	**5**	8	**8**	11
Net share-based compensation expense	**$ 9**	$ 15	**$ 26**	$ 23

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:

(millions of Canadian dollars)	**As at October 6, 2012**	As at October 8, 2011	As at December 31, 2011
Trade payables and other liabilities	**$ 11**	$ 17	$ 15
Other liabilities	**16**	13	15
Contributed surplus	**58**	45	48

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)	**October 6, 2012 (16 weeks)**	October 8, 2011 (16 weeks)	**October 6, 2012 (40 weeks)**	October 8, 2011 (40 weeks)
Outstanding options, beginning of period	**14,122,241**	11,395,732	**10,750,993**	9,320,865
Granted	**9,680**	179,509	**4,576,982**	3,320,756
Exercised	**(121,228)**	(25,619)	**(243,797)**	(631,886)
Forfeited/cancelled	**(16,190)**	(282,420)	**(547,946)**	(742,533)
Expired	**(29,120)**	–	**(570,849)**	–
Outstanding options, end of period	**13,965,383**	11,267,202	**13,965,383**	11,267,202

During the third quarter of 2012, the Company granted 9,680 (2011 – 179,509) stock options at an exercise price of $32.53 (2011 – weighted average exercise price of $37.63). The fair value as calculated under the Black-Scholes option valuation model was nominal (2011 – $1 million). In addition, in the third quarter of 2012, the Company issued 121,228 (2011 – 25,619) and 243,797 (2011 – 631,886) year-to-date of common shares on the exercise of stock options and received cash consideration of $3 million (2011 – nominal) and $7 million (2011 – $19 million) year-to-date.

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

	October 6, 2012 (16 weeks)	October 8, 2011 (16 weeks)
Expected dividend yield	**2.6%**	2.3%
Expected share price volatility	**22.6% – 23.4%**	22.1% – 24.4%
Risk-free interest rate	**1.3% – 1.5%**	1.7% – 2.4%
Expected life of options	**4.2 – 6.5 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 October 6, 2012 was 16.3% (October 8, 2011 – 16.2%; December 31, 2011 – 16.3%).

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

(millions of Canadian dollars except where otherwise indicated)	**As at October 6, 2012**	As at October 8, 2011	As at December 31, 2011
Outstanding contracts (in millions)	**1.1**	1.5	1.1
Average forward price per share ($)	**$ 56.41**	$ 56.22	$ 56.38
Interest income per share ($)	**$ (0.02)**	$ –	$ (0.05)
Unrealized loss recorded in trade payables and other liabilities	**$ 25**	$ 29	$ 20

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

(Number of Awards)	**October 6, 2012 (16 weeks)**	October 8, 2011 (16 weeks)	**October 6, 2012 (40 weeks)**	October 8, 2011 (40 weeks)
RSUs, beginning of period	**1,192,699**	1,044,727	**1,119,496**	1,045,346
Granted	**798**	188,628	**377,540**	540,999
Settled	**(63,818)**	(24,065)	**(332,595)**	(345,850)
Forfeited/cancelled	**(900)**	(22,816)	**(35,662)**	(54,021)
RSUs, end of period	**1,128,779**	1,186,474	**1,128,779**	1,186,474
RSUs, settled (millions of Canadian dollars)	**$ 2**	$ 1	**$ 11**	$ 13

As at October 6, 2012, the intrinsic value of vested RSUs was $17 million (October 8, 2011 – $21 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)	**October 6, 2012 (16 weeks)**	October 8, 2011 (16 weeks)	**October 6, 2012 (40 weeks)**	October 8, 2011 (40 weeks)
PSUs, beginning of period	**50,818**	–	**–**	–
Granted	**–**	–	**50,818**	–
PSUs, end of period	**50,818**	–	**50,818**	–

As at October 6, 2012, the intrinsic value of vested PSUs was nominal.

Note 17. Financial Instruments

Cross Currency Swaps As at October 6, 2012, Glenhuron held cross currency swaps to exchange United States dollars ("USD") for $1,200 million Canadian dollars (October 8, 2011 – $1,247 million; December 31, 2011 – $1,252 million), which mature by 2019. During the third quarter of 2012, a fair value gain of $50 million (2011 – loss of $72 million) and a gain of $50 million (2011 – loss of $50 million) year-to-date was recognized in operating income relating to these cross currency swaps. In addition, during the third quarter of 2012, the Company recognized in operating income a foreign exchange translation loss of $47 million (2011 – gain of $65 million) and a loss of $47 million (2011 – gain of $45 million) year-to-date related to USD $1,112 million (October 8, 2011 – $1,088 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 $148 million Canadian dollars for USD $150 million, which mature in the second quarter of 2013 and entered into additional fixed cross currency swaps to exchange $148 million Canadian dollars for USD $150 million, which mature in 2015. During the third quarter of 2012, the Company recognized in operating income an unrealized fair value loss of $14 million (2011 – gain of $15 million) and a loss of $12 million (2011 – gain of $9 million) year-to-date on these cross currency swaps. In addition, during the third quarter of 2012, the Company recognized in operating income an unrealized foreign currency exchange translation gain of $12 million (2011 – loss of $18 million) and a gain of $12 million (2011 – loss of $12 million) year-to-date related to the $300 million USPP (note 12).

Interest Rate Swaps The Company maintains a notional $150 million (October 8, 2011 − $150 million; December 31, 2011 – $150 million) in interest rate swaps that mature by the third quarter of 2013, on which it pays a fixed rate of 8.38%. During the third quarter of 2012, the Company recognized a fair value gain of $2 million (2011 – nominal loss) and a gain of $5 million (2011 – $2 million) year-to-date in operating income related to these swaps.

Equity Forward Contracts As at October 6, 2012, Glenhuron had equity forward contracts to purchase Loblaw common shares that mature in the first quarter of 2013. 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 legislation may be amended, which could lead to reassessments. These reassessments may have a material impact on the Company in future periods.

During the third quarter of 2012, 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. Subsequent Event

Subsequent to the end of the third quarter of 2012, the Company announced its plan to reduce a number of head office and administrative positions. Focused primarily on management and office positions, the plan is expected to affect approximately 700 jobs. The Company expects to take an estimated charge of $60 million in the fourth quarter of 2012, reflecting the anticipated costs of the planned reductions.

Note 21. 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.

(millions of Canadian dollars)	**October 6, 2012 (16 weeks)**	October 8, 2011 (16 weeks)	**October 6, 2012 (40 weeks)**	October 8, 2011 (40 weeks)
Revenue				
Retail	**$ 9,627**	$ 9,563	**$ 23,671**	$ 23,477
Financial services(1)	**200**	164	**468**	400
Consolidated	**$ 9,827**	$ 9,727	**$ 24,139**	$ 23,877

(1) Included in financial services revenue is $84 million (October 8, 2011 – $77 million) during the third quarter of 2012 and $207 million (2011 – $193 million) year-to-date of interest income.

(millions of Canadian dollars)	**October 6, 2012 (16 weeks)**	October 8, 2011 (16 weeks)	**October 6, 2012 (40 weeks)**	October 8, 2011 (40 weeks)
Depreciation and Amortization				
Retail	**$ 238**	$ 215	**$ 582**	$ 523
Financial services	**3**	3	**8**	6
Consolidated	**$ 241**	$ 218	**$ 590**	$ 529

(millions of Canadian dollars)	**October 6, 2012 (16 weeks)**	October 8, 2011 (16 weeks)	**October 6, 2012 (40 weeks)**	October 8, 2011 (40 weeks)
Operating Income				
Retail	**$ 373**	$ 397	**$ 873**	$ 1,015
Financial services	**32**	24	**61**	54
Consolidated	**$ 405**	$ 421	**$ 934**	$ 1,069

(millions of Canadian dollars)	**October 6, 2012 (16 weeks)**	October 8, 2011 (16 weeks)	**October 6, 2012 (40 weeks)**	October 8, 2011 (40 weeks)
Net Interest Expense and Other Financing Charges				
Retail	**$ 87**	$ 81	**$ 217**	$ 209
Financial services	**13**	14	**34**	37
Consolidated	**$ 100**	$ 95	**$ 251**	$ 246

(millions of Canadian dollars)	**As at October 6, 2012**	As at October 8, 2011	As at December 31, 2011
Total Assets			
Retail	**$ 14,975**	$ 14,636	$ 15,098
Financial services	**2,379**	2,273	2,330
Consolidated	**$ 17,354**	$ 16,909	$ 17,428

(millions of Canadian dollars)	**October 6, 2012 (16 weeks)**	October 8, 2011 (16 weeks)	**October 6, 2012 (40 weeks)**	October 8, 2011 (40 weeks)
Additions to Fixed Assets and Goodwill and Intangibles				
Retail	**$ 289**	$ 325	**$ 688**	$ 643
Financial services	**3**	–	**12**	3
Consolidated	**$ 292**	$ 325	**$ 700**	$ 646

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 October 6, 2012 in connection with the Company's Short Form Base Shelf Prospectus dated November 25, 2010.

Earnings Coverage on financial liabilities	3.55 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 October 6, 2012 and October 8, 2011 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2012 (16 weeks)**	2011 (16 weeks)
Consolidated Results of Operations		
Revenue	**$ 9,827**	$ 9,727
Operating income	**405**	421
EBITDA[2]	**646**	639
Net interest expense and other financing charges	**100**	95
Net earnings	**222**	236
Consolidated Financial Position and Cash Flow		
Working capital[1]	**1,748**	1,976
Adjusted debt[2]	**4,820**	4,741
Cash and cash equivalents, short term investments and security deposits	**1,828**	1,991
Cash flows from operating activities	**490**	694
Capital investment	**289**	324
Free cash flow[2]	**216**	307
Consolidated Per Common Share ($)		
Basic net earnings	**0.79**	0.84
Consolidated Financial Measures and Ratios		
Revenue growth (decline)	**1.0%**	2.0%
Operating margin[1]	**4.1%**	4.3%
EBITDA margin[2]	**6.6%**	6.6%
Adjusted debt[2] to rolling year EBITDA[2]	**2.4x**	2.3x
Adjusted debt[2] to equity[2]	**0.7:1**	0.8:1
Interest coverage[2]	**4.1x**	4.4x
Rolling year return on average net assets[2]	**10.5%**	12.2%
Rolling year return on average shareholders' equity	**11.1%**	13.4%
Retail Results of Operations		
Sales	**9,627**	9,563
Gross profit	**2,104**	2,071
Operating income	**373**	397
Retail Operating Statistics		
Same-store sales growth (decline)	**(0.2%)**	1.3%
Gross profit percentage	**21.9%**	21.7%
Operating margin[1]	**3.9%**	4.2%
Retail square footage (in millions)	**51.2**	50.9
Number of corporate stores	**579**	579
Number of franchise stores	**469**	458
Financial Services Results of Operations		
Revenue	**200**	164
Operating income	**32**	24
Earnings before income taxes	**19**	10
Financial Services Operating Measures and Statistics		
Average quarterly net credit card receivables	**2,055**	1,942
Credit card receivables	**2,073**	1,911
Allowance for credit card receivables	**39**	33
Annualized yield on average quarterly gross credit card receivables[1]	**12.8%**	12.7%
Annualized credit loss rate on average quarterly gross credit card receivables[1]	**4.4%**	4.3%

(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 21 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 loblaw.ca.

Conference Call and Webcast

Loblaw Companies Limited will host a conference call as well as an audio webcast on November 14, 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: 33855200. To access via audio webcast, please visit the Investor Centre section at loblaw.ca. Pre-registration will be available.

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

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