Loblaw
COMPANIES LIMITED

Q1 First Quarter Report to Shareholders

12 WEEKS ENDING MARCH 23, 2013

2013 First Quarter Report to Shareholders

2013 First Quarter Summary[(1)]

- Basic net earnings per common share of $0.61, including a $0.13 gain related to defined benefit plan amendments, compared to $0.43 in the first quarter of 2012.
- EBITDA margin[(2)] of 6.8%, or 6.1% excluding the gain related to defined benefit plan amendments, compared to 5.9% in the first quarter of 2012.
- Revenue of $7,202 million, an increase of 3.8% over the first quarter of 2012.
- Retail sales and same-store sales[(3)] growth of 3.4% and 2.8%, respectively, compared to the first quarter of 2012.
- Quarterly common share dividend increase of 9.1%, an increase from $0.22 per common share to $0.24 per common share, which follows a 4.8% increase in the third quarter of 2012.

"Our fresh-led, customer-focused strategy is delivering results," said Galen G. Weston, Executive Chairman, Loblaw Companies Limited. "The first quarter showed continued evidence of momentum in our core business. Greater assortment and an improved in-store experience are resonating with customers, translating into same-store sales growth and positive trends in tonnage and market share. These trends were seen across the country and across our banners.

I look forward to the balance of the year with confidence. Despite the increasingly competitive environment, I believe that our improving customer experience and demonstrated ability to create leverage by driving cost savings and efficiencies will enable us to win in the marketplace and deliver value to our shareholders. Our dividend increase – the second time in the last six months – is part of our continued focus on enhancing shareholder value, and reflects the Board's conviction in management's long term strategy," concluded Mr. Weston.

Consolidated Quarterly Results of Operations

For the periods ended March 23, 2013 and March 24, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013 (12 weeks)**	2012[(4)] (12 weeks)	$ Change	% Change
Revenue	**$ 7,202**	$ 6,937	$ 265	3.8%
Operating income	**309**	239	70	29.3%
Net earnings	**171**	122	49	40.2%
Basic net earnings per common share ($)	**0.61**	0.43	0.18	41.9%
Operating margin[(3)]	**4.3%**	3.4%		
EBITDA[(2)]	**$ 492**	$ 409	$ 83	20.3%
EBITDA margin[(2)]	**6.8%**	5.9%		

- During the first quarter of 2013, the Company announced amendments to certain of its defined benefit plans impacting certain employees retiring after January 1, 2015. As a result, in the first quarter of 2013, the Company recorded a gain of $51 million and will realize annual pre-tax savings of approximately $14 million related to these defined benefit plan amendments.

- The $265 million increase in revenue compared to the first quarter of 2012 was driven by increases in both the Company's Retail and Financial Services operating segments, as described below.

(1) This report contains forward-looking information. See Forward-Looking Statements on page 6 of this report for a discussion of material factors that could cause actual results to differ materially from the conclusions, forecasts and projections herein and of the material factors and assumptions that were used when making these statements. This report should be read in conjunction with Loblaw Companies Limited's filings with securities regulators made from time to time, all of which can be found at sedar.com and at loblaw.ca.
(2) See Non-GAAP Financial Measures on page 20 of this report.
(3) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.
(4) Certain 2012 figures have been restated due to the implementation of revised IAS 19, "Employee Benefits". See the "Accounting Standards Implemented in 2013 and Changes in Significant Accounting Policies" section on page 18 of this report.

- Operating income increased by $70 million compared to the first quarter of 2012 as a result of an increase in Retail operating income of $54 million and an increase in Financial Services operating income of $16 million. Operating income included the following notable items:
    - A gain of $51 million (2012 – nil) related to the defined benefit plan amendments;
    - A $4 million charge (2012 – $15 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
    - An $8 million charge (2012 – $12 million) related to the effect of share-based compensation net of equity forwards.

- Operating margin(1) was 4.3%, or 3.6% excluding the gain related to defined benefit plan amendments for the first quarter of 2013, compared to 3.4% in the first quarter of 2012.

- The increase in net earnings of $49 million compared to the first quarter of 2012 was primarily due to the increase in operating income, partially offset by an increase in the Company's effective income tax rate.

- Basic net earnings per common share were impacted by the following notable items:
    - A gain of $0.13 (2012 – nil) related to the defined benefit plan amendments;
    - A $0.01 charge (2012 – $0.04) related to the transition of certain Ontario conventional stores to the operating terms under collective agreements ratified in 2010; and
    - A $0.02 charge (2012 – $0.04) related to the effect of share-based compensation net of equity forwards.

- In the first quarter of 2013, the Company invested $119 million in capital expenditures.

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

Retail Results of Operations

For the periods ended March 23, 2013 and March 24, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013 (12 weeks)**	2012 (12 weeks)	$ Change	% Change
Sales	**$ 7,037**	$ 6,808	$ 229	3.4%
Gross profit	**1,576**	1,529	47	3.1%
Operating income	**279**	225	54	24.0%
Same-store sales(1) growth (decline)	**2.8%**	(0.7%)		
Gross profit percentage	**22.4%**	22.5%		
Operating margin(1)	**4.0%**	3.3%		

- In the first quarter of 2013, the increase of $229 million, or 3.4%, in Retail sales over the same period in the prior year was impacted by the following factors:
    - Same-store sales(1) growth was 2.8% (2012 – decline of 0.7%) and excluding gas bar was 2.8% (2012 – decline of 0.9%), positively impacted by the shift in timing of certain holidays;
    - Sales growth in food was strong;
    - Sales growth in drugstore was modest;
    - Sales growth in gas bar was strong;
    - Sales in general merchandise, excluding apparel, declined marginally;
    - Sales in apparel were flat;
    - The Company's average quarterly internal food price index was flat during the first quarter of 2013 (2012 – modest inflation), which was lower than the average quarterly national food price inflation of 1.4% (2012 – 3.7%) 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
    - 20 corporate and franchise stores were opened and 12 corporate and franchise stores were closed in the last twelve months, resulting in a net increase of 0.2 million square feet, or 0.4%.

(1) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.

- In the first quarter of 2013, gross profit increased by $47 million compared to the first quarter of 2012, mainly driven by higher sales. In the first quarter of 2013, gross profit percentage was 22.4%, a decrease from 22.5% in the first quarter of 2012. The decline was primarily driven by continued investments in food margins and fresh assortment and a change in sales mix, partially offset by lower transportation costs and margin improvements in drugstore and general merchandise, including apparel.

- Operating income increased by $54 million, including the $51 million gain related to the defined benefit plan amendments, compared to the first quarter of 2012 and operating margin(1) was 4.0%, or 3.2% excluding the gain related to the defined benefit plan amendments, for the first quarter of 2013 compared to 3.3% in the same period in 2012. In addition to the notable items described in the Consolidated Quarterly Results of Operations above, operating income was negatively impacted by an increase in labour associated with higher sales, increased operating costs and the impact of foreign exchange, partially offset by increased gross profit.

Financial Services Results of Operations

For the periods ended March 23, 2013 and March 24, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013 (12 weeks)**	2012 (12 weeks)	$ Change	% Change
Revenue	**$ 165**	$ 129	$ 36	27.9%
Operating income	**30**	14	16	114.3%
Earnings before income taxes	**19**	4	15	375.0%

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**As at March 23, 2013**	As at March 24, 2012	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,240**	$ 2,004	$ 236	11.8%
Credit card receivables	**2,175**	1,987	188	9.5%
Allowance for credit card receivables	**43**	37	6	16.2%
Annualized yield on average quarterly gross credit card receivables(1)	**13.5%**	13.1%		
Annualized credit loss rate on average quarterly gross credit card receivables(1)	**4.2%**	4.5%		

- The 27.9% increase in revenue over the first quarter of 2012 was primarily driven by higher interest and interchange fee income as a result of increased credit card transaction values and higher credit card receivables balances and higher *PC* Telecom revenues resulting from growth in the Mobile Shop business.

- The increases of $16 million in operating income and $15 million in earnings before income taxes compared to the first quarter of 2012 were mainly attributable to the higher revenue described above and lower costs related to the renegotiation of vendor contracts, partially offset by investments in the Mobile Shop business, higher credit card losses on higher receivables balances and higher *PC* points loyalty costs.

(1) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.

Real Estate Investment Trust Update

In the fourth quarter of 2012, the Company announced its intention to create a Real Estate Investment Trust ("REIT") to acquire approximately 35 million square feet of Loblaw's real estate assets. Since that announcement, work has progressed according to plan. The Company expects to file a preliminary prospectus for the REIT in late May 2013 and to complete the Initial Public Offering ("IPO") of the REIT in early to mid-July of 2013, subject to prevailing market conditions and receipt of required regulatory approvals, including approval to list the units on the Toronto Stock Exchange. A highly experienced board of trustees has been selected and the senior management team for the REIT is now in place. Approximately 35 million square feet of property with a market value of at least $7 billion will be transferred to the REIT.

Outlook(1)

The Company's outlook for 2013 remains unchanged. Over the past several quarters, the Company has strengthened its customer proposition and made significant progress with its information technology ("IT") infrastructure implementation. These initiatives, with investments in price, assortment and labour, are expected to be offset by operating efficiencies. Investments in infrastructure programs continue, as the IT system is rolled out to distribution centres and stores. Expenses associated with the implementation are expected to be flat to 2012. Sales growth in 2013 will be moderated by a competitive environment characterized by ongoing square footage expansions, a new competitor's entry into the market and generic drug deflation. As a result, the Company continues to expect modest growth in operating income in 2013, excluding the impact of the $61 million restructuring charge recorded in the fourth quarter of 2012, the impact of the previously announced plan to launch an IPO of a new REIT and the $51 million gain recorded in the first quarter associated with amendments to certain defined benefit plans.

In addition, the Company expects the following for 2013:

- an effective tax rate in the range of 26% – 27%, compared to 24.9% in 2012;
- the adoption of amendments to the accounting standard related to employee benefits, which will result in a restatement of the 2012 consolidated financial statements to reflect a reduction in net earnings in that year by approximately $16 million or $0.06 per share; and
- capital expenditures to be approximately $1 billion, unchanged from 2012, with net new retail square footage growth of approximately 1%.

Longer term, the Company still expects positive same-store sales(2), a decline in IT and supply chain costs, and a moderation of capital expenditures. This should result in growth in operating income, EBITDA(3) and an increase in free cash flow(3).

(1) See Forward-Looking Statements on page 6 of this report.
(2) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.
(3) See Non-GAAP Financial Measures on page 20 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 first quarter 2013 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 29, 2012 and the related annual MD&A included in the Company's 2012 Annual Report – Financial Review ("2012 Annual Report").

The Company's first quarter 2013 unaudited interim period condensed consolidated financial statements and accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP"). 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 103 of the Company's 2012 Annual Report. In addition, this Quarterly Report includes the following terms: "adjusted debt(1) to rolling year EBITDA(1)", which is defined as adjusted debt(1) divided by cumulative EBITDA(1) for the latest four quarters; "rolling year return on average net assets(1)", which is defined as cumulative operating income for the latest four quarters divided by average net assets(1); "rolling year return on average shareholders' equity", which is defined as cumulative net earnings available to common shareholders for the latest four quarters divided by average total common shareholders' equity; and "free cash flow(1)", which is defined as cash flows used in operating activities less the change in credit card receivables, fixed asset purchases and interest paid.

The information in this MD&A is current to April 30, 2013, 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. Specific statements with respect to anticipated results, planned expenditures and future plans are included in the Outlook section on page 19 of this MD&A. Forward-looking statements are typically identified by words such as "expect", "anticipate", "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.

Forward-looking statements reflect the Company's current estimates, beliefs and assumptions, which are based on management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's expectation of operating and financial performance in 2013 is based on certain assumptions including assumptions about revenue growth, anticipated cost savings and operating efficiencies, no unanticipated changes in the effective income tax rates, the Company's plan to increase net retail square footage by 1% and no unexpected adverse events or costs related to the Company's investments in information technology ("IT") and supply chain. The Company's estimates, beliefs and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. The Company can give no assurance that such estimates, beliefs and assumptions will prove to be correct.

Numerous risks and uncertainties could cause the Company's actual results to differ materially from the estimates, beliefs and assumptions expressed or implied in the forward-looking statements, including, but not limited to:

- failure to realize anticipated results, including revenue growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including those from restructuring;
- failure to realize benefits from investments in the Company's IT systems, including the Company's IT systems implementation, or unanticipated results from these initiatives;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business;
- heightened competition, whether from current competitors or new entrants to the marketplace;
- changes in economic conditions including the rate of inflation or deflation, changes in interest and currency exchange rates and derivative and commodity prices;

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

- 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;
- the impact of potential environmental liabilities;
- failure to respond to changes in consumer tastes and buying patterns;
- 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 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;
- the inability of the Company to collect on its credit card receivables; and
- failure to execute the Initial Public Offering ("IPO") of the Company's proposed Real Estate Investment Trust ("REIT") could adversely affect the reputation, operations and financial performance of the Company.

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 and the Enterprise Risks and Risk Management section on pages 23 to 31 of the Company's 2012 Annual Report. 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. Except as required by law, the Company does not undertake to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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 March 23, 2013 and March 24, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013 (12 weeks)**	2012[1] (12 weeks)
Consolidated:		
Revenue growth	**3.8%**	0.9%
Operating income	**$ 309**	$ 239
EBITDA[2]	**492**	409
EBITDA margin[2]	**6.8%**	5.9%
Net earnings	**171**	122
Basic net earnings per common share ($)	**0.61**	0.43
Operating margin[3]	**4.3%**	3.4%
Cash and cash equivalents, short term investments and security deposits	**1,750**	1,686
Cash flows used in operating activities	**(29)**	(57)
Adjusted debt[2] to rolling year EBITDA[2]	**2.1x**	2.1x
Free cash flow[2]	**(342)**	(368)
Interest coverage[2]	**4.1x**	3.0x
Rolling year return on average net assets[2]	**10.3%**	11.1%
Rolling year return on average shareholders' equity	**11.1%**	12.4%
Retail Segment:		
Same-store sales[3] growth (decline)	**2.8%**	(0.7%)
Gross profit	**$ 1,576**	$ 1,529
Gross profit percentage	**22.4%**	22.5%
Operating margin[3]	**4.0%**	3.3%
Financial Services Segment:		
Earnings before income taxes	**$ 19**	$ 4
Annualized yield on average quarterly gross credit card receivables[3]	**13.5%**	13.1%
Annualized credit loss rate on average quarterly gross credit card receivables[3]	**4.2%**	4.5%

(1) Certain 2012 figures have been restated due to the implementation of revised IAS 19, "Employee Benefits". See the "Accounting Standards Implemented in 2013 and Changes in Significant Accounting Policies" section on page 18 of this report.
(2) See Non-GAAP Financial Measures on page 20 of this report.
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Consolidated Results of Operations

For the periods ended March 23, 2013 and March 24, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	2013 (12 weeks)	2012[1] (12 weeks)	$ Change	% Change
Revenue	**$ 7,202**	$ 6,937	$ 265	3.8%
Operating income	**309**	239	70	29.3%
Net earnings	**171**	122	49	40.2%
Basic net earnings per common share ($)	**0.61**	0.43	0.18	41.9%
Operating margin[2]	**4.3%**	3.4%		
EBITDA[3]	**$ 492**	$ 409	$ 83	20.3%
EBITDA margin[3]	**6.8%**	5.9%		

During the first quarter of 2013, the Company announced amendments to certain of its defined benefit plan impacting certain employees retiring after January 1, 2015. As a result, in the first quarter of 2013, the Company recorded a gain of $51 million and will realize annual pre-tax savings of approximately $14 million related to these defined benefit plan amendments.

Revenue The $265 million increase in revenue compared to the first quarter of 2012 was driven by increases in both the Company's Retail and Financial Services operating segments, as described below.

Operating Income Operating income increased by $70 million compared to the first quarter of 2012. Retail operating income increased by $54 million compared to the first quarter of 2012 and Financial Services operating income increased by $16 million compared to the first quarter of 2012. Operating income included the following notable items:

- A gain of $51 million (2012 – nil) related to the defined benefit plan amendments;
- A $4 million charge (2012 – $15 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
- An $8 million charge (2012 – $12 million) related to the effect of share-based compensation net of equity forwards.

Operating margin[2] was 4.3%, or 3.6% excluding the gain related to defined benefit plan amendments, for the first quarter of 2013, compared to 3.4% in the same quarter in 2012.

Net Interest Expense and Other Financing Charges In the first quarter of 2013, net interest expense and other financing charges decreased by $3 million, or 3.8%, to $76 million compared to the first quarter of 2012 primarily as a result of the decline in net interest on the Company's net defined benefit obligation.

Income Taxes The income tax expense for the first quarter of 2013 was $62 million (2012 – $38 million). The effective income tax rate for the first quarter of 2013 was 26.6% (2012 – 23.8%). The increase in the effective income tax rate compared to the first quarter of 2012 was primarily due to decreases in both prior year recoveries and non-taxable amounts.

Net Earnings Net earnings for the first quarter of 2013 increased by $49 million, or 40.2%, compared to the first quarter of 2012. Basic net earnings per common share for the first quarter increased by 41.9%, to $0.61, from $0.43 in the first quarter of 2012.

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(2) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.
(3) See Non-GAAP Financial Measures on page 20 of this report.

Basic net earnings per common share for the first quarter of 2013 were impacted by the following notable items:

- A gain of $0.13 (2012 – nil) related to the defined benefit plan amendments;
- A charge of $0.01 (2012 – $0.04) related to the transition of certain Ontario conventional stores under collective agreements ratified in the third quarter of 2010; and
- A charge of $0.02 (2012 – $0.04) for the effect of share-based compensation net of equity forwards.

Reportable Operating Segments

Retail

For the periods ended March 23, 2013 and March 24, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013** **(12 weeks)**	2012 (12 weeks)	$ Change	% Change
Sales	**$ 7,037**	$ 6,808	$ 229	3.4%
Gross profit	**1,576**	1,529	47	3.1%
Operating income	**279**	225	54	24.0%
Same-store sales(1) growth (decline)	**2.8%**	(0.7%)		
Gross profit percentage	**22.4%**	22.5%		
Operating margin(1)	**4.0%**	3.3%		

Sales In the first quarter of 2013, the increase in Retail sales of $229 million, or 3.4%, over the same period in the prior year was impacted by the following factors:

- Same-store sales(1) growth was 2.8% (2012 – decline of 0.7%) and excluding gas bar was 2.8% (2012 – decline of 0.9%), positively impacted by the shift in timing of certain holidays;
- Sales growth in food was strong;
- Sales growth in drugstore was modest;
- Sales growth in gas bar was strong;
- Sales in general merchandise, excluding apparel, declined marginally;
- Sales in apparel were flat;
- The Company's average quarterly internal food price index was flat during the first quarter of 2013 (2012 – modest inflation), which was lower than the average quarterly national food price inflation of 1.4% (2012 – 3.7%) 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
- 20 corporate and franchise stores were opened and 12 corporate and franchise stores were closed in the last twelve months, resulting in a net increase of 0.2 million square feet, or 0.4%.

Gross Profit In the first quarter of 2013, gross profit increased by $47 million compared to the first quarter of 2012, mainly driven by higher sales. In the first quarter of 2013, gross profit percentage was 22.4%, a decrease from 22.5% in the first quarter of 2012. The decline was primarily driven by continued investments in food margins and fresh assortment and a change in sales mix, partially offset by lower transportation costs and margin improvements in drugstore and general merchandise, including apparel.

Operating Income Operating income increased by $54 million, including the $51 million gain related to the defined benefit plan amendments, compared to the first quarter of 2012 and operating margin(1) was 4.0%, or 3.2% excluding the gain related to the defined benefit plan amendments, for the first quarter of 2013 compared to 3.3% in the same period in 2012. In addition to the notable items described in the Consolidated Results of Operations above, operating income was negatively impacted by an increase in labour associated with higher sales, increased operating costs and the impact of foreign exchange, partially offset by increased gross profit.

(1) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.

Financial Services

For the periods ended March 23, 2013 and March 24, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013 (12 weeks)**	2012 (12 weeks)	$ Change	% Change
Revenue	**$ 165**	$ 129	$ 36	27.9%
Operating income	**30**	14	16	114.3%
Earnings before income taxes	**19**	4	15	375.0%

(millions of Canadian dollars except where otherwise indicated) (unaudited)	**As at March 23, 2013**	As at March 24, 2012	$ Change	% Change
Average quarterly net credit card receivables	**$ 2,240**	$ 2,004	$ 236	11.8%
Credit card receivables	**2,175**	1,987	188	9.5%
Allowance for credit card receivables	**43**	37	6	16.2%
Annualized yield on average quarterly gross credit card receivables(1)	**13.5%**	13.1%		
Annualized credit loss rate on average quarterly gross credit card receivables(1)	**4.2%**	4.5%		

Revenue The 27.9% increase in revenue over the first quarter of 2012 was primarily driven by higher interest and interchange fee income as a result of increased credit card transaction values and higher credit card receivables balances and higher *PC* Telecom revenues resulting from growth in the Mobile Shop business.

Operating Income and Earnings Before Income Taxes The increases of $16 million in operating income and $15 million in earnings before income taxes compared to the first quarter of 2012 were mainly attributable to the higher revenue described above and lower costs related to the renegotiation of vendor contracts, partially offset by investments in the Mobile Shop business, higher credit card losses on higher receivables balances and higher *PC* points loyalty costs.

Liquidity and Capital Resources

Cash Flows

Major Cash Flow Components

For the periods ended March 23, 2013 and March 24, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013 (12 weeks)**	2012 (12 weeks)	$ Change	% Change
Cash flows used in:				
Operating activities	**$ (29)**	$ (57)	$ 28	49.1%
Investing activities	**(189)**	(179)	(10)	(5.6%)
Financing activities	**(177)**	(69)	(108)	(156.5%)

(1) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.

Cash Flows used in Operating Activities Cash flows used in operating activities were $29 million in the first quarter of 2013, a decrease in operating cash flows used of $28 million compared to the first quarter of 2012. The year-over-year decrease in operating cash flows used was a result of higher EBITDA(1), excluding the $51 million gain related to the defined benefit plan amendments, and cash generated from higher payments received on credit card receivables, partially offset by the settlement of equity forwards, increased pension funding and a higher settlement of Restricted Share Units ("RSUs").

Cash Flows used in Investing Activities Cash flows used in investing activities were $189 million in the first quarter of 2013, an increase of $10 million from the first quarter of 2012, primarily due to higher purchases of short term investments, partially offset by lower fixed asset purchases and lower security deposits.

Capital Investment and Store Activity

As at or for the periods ended March 23, 2013 and March 24, 2012 (unaudited)	**2013 (12 weeks)**	2012 (12 weeks)	% Change
Capital investment (millions of Canadian dollars)	**$ 119**	$ 134	(11.2%)
Corporate square footage (in millions)	**37.3**	37.6	(0.8%)
Franchise square footage (in millions)	**14.2**	13.7	3.6%
Retail square footage (in millions)	**51.5**	51.3	0.4%
Number of corporate stores	**573**	585	(2.1%)
Number of franchise stores	**482**	462	4.3%
Percentage of corporate real estate owned	**72%**	72%	
Percentage of franchise real estate owned	**45%**	46%	
Average store size (square feet)			
Corporate	**65,100**	64,200	1.4%
Franchise	**29,500**	29,600	(0.3%)

Cash Flows used in Financing Activities During the first quarter of 2013, cash flows used in financing activities were $177 million compared to $69 million in the first quarter of 2012. The increase of $108 million was primarily due to the timing of cash dividends paid and the purchase of common shares under the Company's Normal Course Issuer Bid ("NCIB"), which it placed into trusts for future settlement of the Company's RSU and Performance Share Unit ("PSU") obligations.

Free Cash Flow(1)

For the periods ended March 23, 2013 and March 24, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013 (12 weeks)**	2012 (12 weeks)	$ Change	% Change
Free cash flow(1)	**(342)**	(368)	26	7.1%

Free Cash Flow(1) For the first quarter of 2013, free cash flow(1) was negative $342 million compared to negative $368 million in the first quarter of 2012, an improvement of $26 million. The increase was primarily due to a decrease in cash flows used in operating activities and fewer fixed asset purchases.

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

Defined Benefit Pension Plan Contributions During the first quarter of 2013, the Company contributed $25 million (2012 – $12 million) to its registered funded defined benefit pension plans. The Company expects to contribute approximately $125 million to these plans during the remainder of 2013. 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 2013 to its defined contribution plans and the multi-employer pension plans in which it participates as well as to make 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

Adjusted Debt[(1)] to Rolling Year EBITDA[(1)] The Company monitors its adjusted debt[(1)] to rolling year EBITDA[(1)] ratio as a measure to ensure it is operating under an efficient capital structure. As at March 23, 2013, the Company's adjusted debt[(1)] to rolling year EBITDA[(1)] ratio was 2.1x, flat compared to March 24, 2012.

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 twelve months. The Company has traditionally obtained its long term financing primarily through a medium term notes program.

The Company's Credit Facility contains certain financial covenants with which the Company was in compliance throughout the quarter. As at the end of the first quarters of 2013 and 2012 and as at December 29, 2012, there were no amounts drawn under the Credit Facility.

As at March 23, 2013, the Company had agreements to cash collateralize certain of its uncommitted credit facilities up to an amount of $134 million (March 24, 2012 – $88 million; December 29, 2012 – $133 million) of which $105 million (March 24, 2012 – $85 million; December 29, 2012 – $97 million) was deposited with major financial institutions and classified as security deposits.

The credit ratings as disclosed in the 2012 Annual Report did not change in the first quarter of 2013. 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

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 Credit Card Trust*® ("*Eagle*") and Other Independent Securitization Trusts, from time to time depending on PC Bank's financing requirements. During 2013, *Eagle* will file a Short Form Base Shelf Prospectus which allows for the potential issuance of up to $1.5 billion of notes over a 25-month period.

The Company has arranged letters of credit on behalf of PC Bank, representing 9% (March 24, 2012 and December 29, 2012 – 9%) of the outstanding securitized liability for the benefit of the Other Independent Securitization Trusts in the amount of $81 million (March 24, 2012 and December 29, 2012 – $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 and was in compliance with this requirement throughout the quarter.

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

Guaranteed Investment Certificates During the first quarter of 2013, PC Bank sold a nominal amount (2012 – $1 million) of Guaranteed Investment Certificates ("GICs") through independent brokers. In addition, during the first quarter of 2013, $10 million (2012 – $14 million) of GICs matured and were repaid. As at March 23, 2013, $293 million (March 24, 2012 – $263 million; December 29, 2012 – $303 million) of outstanding GICs were recorded in long term debt, of which $34 million (March 24, 2012 – $42 million; December 29, 2012 – $36 million) was recorded as long term debt due within one year.

Independent Funding Trusts As at March 23, 2013, the independent funding trusts had drawn $468 million (March 24, 2012 – $446 million; December 29, 2012 – $459 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts. 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 March 23, 2013, March 24, 2012 and December 29, 2012, the Company had provided a letter of credit in the amount of $48 million.

Capital Structure

Dividends The following table summarizes the Company's cash dividends declared for the first quarters of 2013 and 2012:

	March 23, 2013[(i)] (12 weeks)	March 24, 2012 (12 weeks)
Dividends declared per share ($):		
Common share	**$ 0.22**	$ 0.21
Second Preferred Share, Series A	**$ 0.37**	$ 0.37

(i) Dividends declared on common shares have a payment date of April 1, 2013. Dividends declared on Second Preferred Shares, Series A have a payment date of April 30, 2013.

Subsequent to the end of the first quarter of 2013, the Board of Directors declared a quarterly dividend of $0.24 per common share payable July 1, 2013, an increase of $0.02, or approximately 9.1%, which follows a 4.8% increase in the third quarter of 2012, and declared a quarterly dividend of $0.37 per Second Preferred Share, Series A, payable July 31, 2013. At the time such dividends are declared, the Company identifies on its website (loblaw.ca) the designation of eligible and ineligible dividends in accordance with the administrative position of the Canada Revenue Agency.

Normal Course Issuer Bid During the first quarter of 2013, the Company purchased 1,103,500 shares under its NCIB for cash consideration of $46 million and placed these shares into trusts for future settlement of the Company's RSU and PSU obligations. During the first quarter of 2012, the Company purchased for cancellation 54,908 common shares under its NCIB for cash consideration of $2 million.

Subsequent to the first quarter of 2013, the Company renewed its NCIB to purchase on the Toronto Stock Exchange ("TSX") or enter into equity derivatives to purchase up to 14,103,672 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.

Financial Derivative Instruments

Cross Currency Swaps The Company uses cross currency swaps to reduce the exposure to exchange rate fluctuations relating to certain balance sheet items denominated in United States dollars ("USD"), including cash and long term debt.

As at the end of the first quarter of 2013, Glenhuron Bank Limited ("Glenhuron") held cross currency swaps to exchange USD for Canadian dollars. The swaps mature by 2019 and are financial derivatives classified as fair value through profit or loss. Amounts receivable or payable arising from these swaps are settled in cash upon maturity.

As at the end of the first quarter of 2013, the Company held cross currency swaps to exchange $296 million Canadian dollars for $300 million USD, for the settlement of the Company's US Private Placement ("USPP") notes included in long term debt, of which $148 million matures in the second quarter of 2013 and $148 million matures in the second quarter of 2015.

The following tables summarize the financial impact of the Company's cross currency swaps:

(millions of Canadian dollars)	Glenhuron Cross Currency Swaps **As at March 23, 2013**	As at March 24, 2012	As at December 29, 2012	USPP Cross Currency Swaps **As at March 23, 2013**	As at March 24, 2012	As at December 29, 2012
Exchange amount	**$ 1,170**	$ 1,213	$ 1,199	**$ 296**	$ 296	$ 296
Cumulative unrealized foreign currency exchange rate receivable recorded in:						
Prepaid expenses and other assets	**$ 34**	$ 47	$ 20	**$ 6**	$ –	$ 2
Other assets	**$ 42**	$ 102	$ 93	**$ 9**	$ 10	$ 5

The Glenhuron cross currency swaps and USPP cross currency swaps offset the effect of translation (gains) losses on the underlying USD cash of $1,077 million (2012 – $1,078 million) and $300 million (2012 – $300 million) USPP notes in long term debt, respectively.

The following table summarizes the changes in fair value of the cross currency swaps and the underlying exposures:

For the periods ended March 23, 2013 and March 24, 2012 (millions of Canadian dollars)	Glenhuron Cross Currency Swaps **2013 (12 weeks)**	2012 (12 weeks)	USPP Cross Currency Swaps **2013 (12 weeks)**	2012 (12 weeks)
Fair value loss (gain) related to swaps recorded in operating income	**$ 31**	$ (28)	**$ (8)**	$ 4
Translation (gain) loss related to the underlying exposures	**$ (28)**	$ 25	**$ 8**	$ (7)

Interest Rate Swaps The Company maintains a notional $150 million (March 24, 2012 and December 29, 2012 − $150 million) in interest rate swaps that mature by the third quarter of 2013, on which it pays a fixed rate of 8.38%. At March 23, 2013, the fair value of these interest rate swaps of $5 million was recorded in trade payables and other liabilities (March 24, 2012 – $16 million recorded in other liabilities; December 29, 2012 – $5 million recorded in trade payables and other liabilities). During the first quarter of 2013, the Company recognized a nominal fair value gain (2012 – nominal gain) in operating income related to these swaps.

Equity Forward Contracts During the first quarter of 2013, Glenhuron paid $16 million to settle the remaining equity forwards representing 1,103,500 Loblaw common shares. During the first quarter of 2013, Glenhuron recognized a nominal loss (2012 – $5 million) in operating income related to these forwards.

Other Business Matters

IT and Other Systems Implementations The Company is undertaking a major upgrade of its IT infrastructure that began in 2010. This project constitutes one of the largest technology infrastructure programs ever implemented by the Company and is fundamental to its long term growth strategies. During the first quarter of 2013, the Company continued to make progress on the implementation of the new IT system and successfully implemented the system in two more stores. As at the end of the first quarter of 2013, the system has been implemented in one distribution centre and three stores, with little to no impact on the Company's customers. During the first quarter of 2013, the Company also integrated the revenue posting function from its point of sale system with the new IT system. The new IT system is now the source of record for all transactional revenue data. Throughout the remainder of 2013, the Company will continue to roll-out the new IT system to the remaining distribution centres and a portion of the store network.

Real Estate Investment Trust Update In the fourth quarter of 2012, the Company announced its intention to create a REIT to acquire approximately 35 million square feet of Loblaw's real estate assets. Since that announcement, work has progressed according to plan. The Company expects to file a preliminary prospectus for the REIT in late May 2013 and to complete the IPO of the REIT in early to mid-July of 2013, subject to prevailing market conditions and receipt of required regulatory approvals, including approval to list the units on the TSX. A highly experienced board of trustees has been selected and the senior management team for the REIT is now in place. Approximately 35 million square feet of property with a market value of at least $7 billion will be transferred to the REIT.

Quarterly Results of Operations

Under an accounting convention common in the food retail industry, the Company follows a 52-week reporting cycle which periodically necessitates a fiscal year of 53 weeks. 2013, 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. The following is a summary of selected consolidated financial information derived from the Company's unaudited interim period condensed consolidated financial statements for each of the eight most recently completed quarters.

Summary of Consolidated Quarterly Results

	First Quarter		Fourth Quarter		Third Quarter		Second Quarter	
(millions of Canadian dollars except where otherwise indicated) (unaudited)	**2013 (12 weeks)**	**2012(1) (12 weeks)**	2012(1) (12 weeks)	2011(2) (12 weeks)	2012(1) (16 weeks)	2011(2) (16 weeks)	2012(1) (12 weeks)	2011(2) (12 weeks)
Revenue	**$ 7,202**	**$ 6,937**	$ 7,465	$ 7,373	$ 9,827	$ 9,727	$ 7,375	$ 7,278
Net earnings	**$ 171**	**$ 122**	$ 139	$ 174	$ 217	$ 236	$ 156	$ 197
Net earnings per common share								
Basic ($)	**$ 0.61**	**$ 0.43**	$ 0.49	$ 0.62	$ 0.77	$ 0.84	$ 0.55	$ 0.70
Diluted ($)	**$ 0.60**	**$ 0.43**	$ 0.46	$ 0.60	$ 0.75	$ 0.83	$ 0.55	$ 0.69
Average national food price inflation (as measured by CPI)	**1.4%**	**3.7%**	1.5%	5.2%	1.8%	4.9%	2.5%	4.0%
Retail same-store sales(3) growth (decline)	**2.8%**	**(0.7%)**	0.0%	2.5%	(0.2 %)	1.3%	0.2%	(0.4%)

Since the first quarter of 2011, net retail square footage increased by 0.8 million square feet to 51.5 million square feet.

(1) Certain 2012 figures have been restated due to the implementation of revised IAS 19, "Employee Benefits". See the "Accounting Standards Implemented in 2013 and Changes in Significant Accounting Policies" section on page 18 of this report.
(2) As reported under the original IAS 19, "Employee Benefits", no information has been restated.
(3) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.

Fluctuations in quarterly net earnings reflect the underlying operations of the Company and are impacted by seasonality, which is greatest in the fourth quarter and least in the first quarter, and the timing of holidays and were impacted by the following significant items:

- Gains related to defined benefit plan amendments;
- 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 share-based compensation net of equity forwards;
- Costs related to the incremental investment in IT and supply chain;
- Costs associated with reducing head office and administrative positions incurred in the fourth quarter of 2012;
- Fixed asset impairment charges and recoveries and other related charges;
- Start-up costs associated with the launch of the *Joe Fresh* brand in the United States incurred in the fourth quarter of 2011;
- A gain recognized related to the sale of a portion of a property in North Vancouver, British Columbia in the third quarter of 2011; and
- Costs related to certain prior years' commodity tax matters incurred in the second quarter of 2011.

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 required to use judgement in evaluating controls and procedures.

Changes in Internal Control over Financial Reporting During the first quarter of 2013, the integration of the Company's revenue posting function from its point of sale system with the new IT system resulted in a material change to the Company's internal controls over financial reporting for the revenue process. There were no other changes in the Company's internal controls over financial reporting during the first quarter of 2013 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 23 of the MD&A in the Company's 2012 Annual Report. The following is an update to those risk and risk management strategies:

Systems Implementations The Company continued to undertake a major upgrade of its IT infrastructure in the first quarter of 2013 as described in the Other Business Matters section of this MD&A. Completing the IT system deployment will require continued focus and investment. Failure to successfully migrate from legacy systems to the new IT system or disruption in the Company's current IT systems during the implementation of the new IT systems, could result in a lack of accurate data 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. Failure to implement appropriate processes to support the new IT system could result in inefficiencies and duplication in processes and could negatively affect the reputation, operations, revenues and financial performance of the Company.

Regulatory During the first quarter of 2013, all provinces and territories announced that reimbursement rates on six common generic prescription drugs would be significantly reduced during the second quarter of 2013. In addition, Alberta, New Brunswick and Newfoundland announced further generic prescription drug reimbursement rate reductions. The remaining provinces have not announced similar reductions. These announcements, and any potential further announcements, impact pharmacy sales and therefore could have an adverse effect on the financial performance of the Company. The Company continues to identify opportunities to mitigate the impact of these amendments, including the introduction of programs to add new services and enhance existing services to attract customers, but despite these efforts, the amendments could have an adverse effect on the financial performance of the Company.

Accounting Standards Implemented in 2013 and Changes in Significant Accounting Policies

Fair Value Measurement In 2011, the IASB issued IFRS 13, "Fair Value Measurement" ("IFRS 13"), which establishes a single framework for the fair value measurement and disclosure of financial and non-financial assets and liabilities. The new standard unifies the definition of fair value and also introduces new concepts including 'highest and best use' and 'principle markets' for non-financial assets and liabilities. There are additional disclosure requirements, including increased fair value disclosure for financial instruments for interim and annual financial statements. The Company implemented this standard prospectively in the first quarter of 2013. There were no measurement impacts on the Company's unaudited interim period condensed consolidated financial statements as a result of the adoption of IFRS 13.

Employee Benefits In 2011, the IASB revised IAS 19, "Employee Benefits" ("IAS 19"). The most significant amendments for the Company and its significant accounting policies are 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 a prescribed discount rate to the net defined benefit obligation. Under the amendment, the Company continues to recognize actuarial gains and losses on plan assets and obligations through other comprehensive income, but have chosen to reclassify these amounts from accumulated other comprehensive income and record these actuarial gains or losses in retained earnings, consistent with its previous presentation. The Company implemented this standard retrospectively in the first quarter of 2013. The impact arising from the adoption of the amendments to IAS 19 is summarized as follows:

Consolidated Statements of Earnings and Comprehensive Income

Increase (Decrease) (millions of Canadian dollars except where otherwise indicated)	March 24, 2012 (12 weeks)	December 29, 2012 (52 weeks)
Selling, General and Administrative Expenses	$ –	$ 1
Operating Income	$ –	$ (1)
Net interest expense and other financing charges	5	20
Earnings Before Income Taxes	$ (5)	$ (21)
Income taxes	(1)	(5)
Net Earnings	$ (4)	$ (16)
Other comprehensive income, net of taxes	4	15
Total Comprehensive Income	$ –	$ (1)
Net Earnings per Common Share ($)		
Basic	$ (0.02)	$ (0.06)
Diluted	$ (0.02)	$ (0.05)

Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	As at March 24, 2012	As at December 29, 2012	As at January 1, 2012
Other long term liabilities	$ (3)	$ (2)	$ (3)
Shareholders' equity	$ 3	$ 2	$ 3

The amendments also require enhanced annual disclosures for defined benefit plans, including additional information on the characteristics and risks of those plans, which will be included the Company's 2013 Annual Report – Financial Review.

Other Standards In addition to the above standards, the Company implemented the following standards and amendments effective January 1, 2013: IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), IFRS 11, "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 28, "Investments in Associates" and IAS 1, "Presentation of Financial Statements". There was no significant impact on the Company's unaudited interim period condensed consolidated financial statements as a result of the implementation of these standards.

As a result of IFRS 10, the Company consolidates structured entities if, based on an evaluation of the substance of its relationship with the Company, the Company concludes that it controls the structured entity. Structured entities are entities controlled by the Company which were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

Restricted Share Unit Plan On January 2, 2013, the Company's RSU plan was amended to require settlement in common shares rather than in cash, for grants settled subsequent to March 31, 2013. These awards are accounted for as equity-settled and vest after the end of a performance period, ranging from three to five years. The fair value of each RSU granted is measured separately at the grant date based on the market value of a Loblaw common share less the net present value of the expected dividend stream at the date on which RSUs are awarded to each participant. The compensation expense is prorated over the performance period, with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures. Upon settlement of the award, the amount recognized in contributed surplus for the award is reclassified to share capital.

Performance Share Unit Plan On January 2, 2013, the Company's PSU plan was amended to require settlement in common shares rather than in cash. These awards are accounted for as equity-settled and vest after the end of a three year performance period. The number of units that vest will vary based on the achievement of specified performance measures. The fair value of each PSU granted is measured separately at the grant date based on 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, with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures. Upon settlement of the award, the amount recognized in contributed surplus for the award is reclassified to share capital.

Outlook[1]

The Company's outlook for 2013 remains unchanged. Over the past several quarters, the Company has strengthened its customer proposition and made significant progress with its IT infrastructure implementation. These initiatives, with investments in price, assortment and labour, are expected to be offset by operating efficiencies. Investments in infrastructure programs continue, as the IT system is rolled out to distribution centres and stores. Expenses associated with the implementation are expected to be flat to 2012. Sales growth in 2013 will be moderated by a competitive environment characterized by ongoing square footage expansions, a new competitor's entry into the market and generic drug deflation. As a result, the Company continues to expect modest growth in operating income in 2013, excluding the impact of the $61 million restructuring charge recorded in the fourth quarter of 2012, the impact of the previously announced plan to launch an IPO of a new REIT and the $51 million gain recorded in the first quarter associated with amendments to certain defined benefit plans.

In addition, the Company expects the following for 2013:

- an effective tax rate in the range of 26% – 27%, compared to 24.9% in 2012;
- the adoption of amendments to the accounting standard related to employee benefits, which will result in a restatement of the 2012 consolidated financial statements to reflect a reduction in net earnings in that year by approximately $16 million or $0.06 per share; and
- capital expenditures to be approximately $1 billion, unchanged from 2012, with net new retail square footage growth of approximately 1%.

Longer term, the Company still expects positive same-store sales[2], a decline in IT and supply chain costs, and a moderation of capital expenditures. This should result in growth in operating income, EBITDA[3] and an increase in free cash flow[3].

(1) See Forward-Looking Statements on page 6 of this report.
(2) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report.
(3) See Non-GAAP Financial Measures on page 20 of this report.

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 and adjusted debt to rolling year EBITDA. 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 condensed consolidated statements of earnings for the 12 week periods ended March 23, 2013 and March 24, 2012. 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)	**2013 (12 weeks)**	2012[(1)] (12 weeks)
Net earnings	**$ 171**	$ 122
Add impact of the following:		
Income taxes	**62**	38
Net interest expense and other financing charges	**76**	79
Operating income	**309**	239
Add impact of the following:		
Depreciation and amortization	**183**	170
EBITDA	**$ 492**	$ 409

Interest and Interest Coverage The following table reconciles interest expense used in the calculations of the interest coverage ratio to GAAP measures for the 12 week periods ended March 23, 2013 and March 24, 2012. 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)	**2013 (12 weeks)**	2012[(1)] (12 weeks)
Net interest expense and other financing charges	**$ 76**	$ 79
Add: Interest capitalized to fixed assets	**–**	–
Interest expense	**$ 76**	$ 79

(1) Certain 2012 figures have been restated due to the implementation of revised IAS 19, "Employee Benefits". See the "Accounting Standards Implemented in 2013 and Changes in Significant Accounting Policies" section on page 18 of this report.

Free Cash Flow The following table reconciles free cash flow used in assessing the Company's financial condition to GAAP measures for the 12 week periods ended March 23, 2013 and March 24, 2012. In the first quarter of 2013, the Company refined its definition of free cash flow as cash flows used in operating activities less the change in credit card receivables, fixed asset purchases and interest paid. The Company believes that this definition of free cash flow is the appropriate measure in assessing the Company's cash available for additional funding and investing activities.

(millions of Canadian dollars) (unaudited)	**2013 (12 weeks)**	2012[(1)] (12 weeks)
Cash flows used in operating activities	**$ (29)**	$ (57)
Less: Change in credit card receivables	**130**	114
Fixed asset purchases	**119**	134
Interest paid	**64**	63
Free cash flow	**$ (342)**	$ (368)

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) (unaudited)	**As at March 23, 2013**	As at March 24, 2012	As at December 29, 2012
Total assets	**$ 17,460**	$ 16,878	$ 17,961
Less: Cash and cash equivalents	**689**	657	1,079
Short term investments	**854**	780	716
Security deposits	**207**	249	252
Trade payables and other liabilities	**3,211**	3,079	3,720
Net assets	**$ 12,499**	$ 12,113	$ 12,194

(1) Certain 2012 figures have been restated due to the implementation of revised IAS 19, "Employee Benefits". See the "Accounting Standards Implemented in 2013 and Changes in Significant Accounting Policies" section on page 18 of this report.

Adjusted Debt The following table reconciles adjusted debt used in the adjusted debt to rolling year EBITDA ratio 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 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, independent funding trusts 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.

(millions of Canadian dollars) (unaudited)	**As at March 23, 2013**	As at March 24, 2012	As at December 29, 2012
Short term debt	**$ 905**	$ 905	$ 905
Long term debt due within one year	**772**	82	672
Long term debt	**4,901**	5,489	4,997
Certain other liabilities	**39**	39	39
Fair value of financial derivatives related to the above	**(10)**	31	14
Total debt	**$ 6,607**	$ 6,546	$ 6,627
Less:			
Independent Securitization Trusts in short term debt	**905**	905	905
Independent Securitization Trusts in long term debt	**600**	600	600
Independent Funding Trusts	**468**	446	459
Guaranteed Investment Certificates	**293**	263	303
Adjusted debt	**$ 4,341**	$ 4,332	$ 4,360

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

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.

April 30, 2013
Toronto, Canada

Financial Results

Condensed Consolidated Statements of Earnings

(millions of Canadian dollars except where otherwise indicated) (unaudited)		**March 23, 2013 (12 weeks)**		March 24, 2012[1] (12 weeks)
Revenue	**$**	**7,202**	$	6,937
Cost of Merchandise Inventories Sold (note 8)		**5,474**		5,284
Selling, General and Administrative Expenses		**1,419**		1,414
Operating Income		**309**		239
Net interest expense and other financing charges (note 3)		**76**		79
Earnings Before Income Taxes		**233**		160
Income taxes (note 4)		**62**		38
Net Earnings	**$**	**171**	$	122
Net Earnings per Common Share ($) (note 5)				
Basic	**$**	**0.61**	$	0.43
Diluted	**$**	**0.60**	$	0.43

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

(1) Certain 2012 figures have been restated – see note 2.

Condensed Consolidated Statements of Comprehensive Income

(millions of Canadian dollars) (unaudited)	**March 23, 2013 (12 weeks)**	March 24, 2012[1] (12 weeks)
Net earnings	**$ 171**	$ 122
Other comprehensive income, net of taxes		
Items that will not be reclassified to profit or loss:		
Net defined benefit plan actuarial gain (note 13)	**34**	29
Total Comprehensive Income	**$ 205**	$ 151

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

(1) Certain 2012 figures have been restated – see note 2.

Condensed Consolidated Statements of Changes in Shareholders' Equity

(millions of Canadian dollars except where otherwise indicated) (unaudited)		Common Share Capital		Retained Earnings[1]		Contributed Surplus		Accumulated Other Comprehensive Income		Total Shareholders' Equity[1]
Balance at December 29, 2012	**$**	**1,567**	**$**	**4,792**	**$**	**55**	**$**	**5**	**$**	**6,419**
Net earnings		**–**		**171**		**–**		**–**		**171**
Other comprehensive income (note 13)		**–**		**34**		**–**		**–**		**34**
Total Comprehensive Income		**–**		**205**		**–**		**–**		**205**
Net effect of share-based compensation (notes 12 and 14)		**13**		**–**		**13**		**–**		**26**
Shares purchased and held in trust (note 12)		**(6)**		**(40)**		**–**		**–**		**(46)**
Dividends declared per common share – $0.22 (note 12)		**–**		**(62)**		**–**		**–**		**(62)**
		7		**103**		**13**		**–**		**123**
Balance at March 23, 2013	**$**	**1,574**	**$**	**4,895**	**$**	**68**	**$**	**5**	**$**	**6,542**

(millions of Canadian dollars except where otherwise indicated) (unaudited)		Common Share Capital		Retained Earnings[1]		Contributed Surplus		Accumulated Other Comprehensive Income		Total Shareholders' Equity[1]
Balance at December 31, 2011	$	1,540	$	4,417	$	48	$	5	$	6,010
Net earnings		–		122		–		–		122
Other comprehensive income (note 13)		–		29		–		–		29
Total Comprehensive Income		–		151		–		–		151
Net effect of share-based compensation (notes 12 and 14)		2		–		3		–		5
Common shares purchased for cancellation (note 12)		–		(2)		–		–		(2)
Dividends declared per common share – $0.21 (note 12)		–		(59)		–		–		(59)
		2		90		3		–		95
Balance at March 24, 2012	$	1,542	$	4,507	$	51	$	5	$	6,105

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

(1) Certain 2012 figures have been restated – see note 2.

Condensed Consolidated Balance Sheets

(millions of Canadian dollars) (unaudited)	**As at March 23, 2013**	As at March 24, 2012(1)	As at December 29, 2012(1)
Assets			
Current Assets			
Cash and cash equivalents (note 6)	**$ 689**	$ 657	$ 1,079
Short term investments (note 6)	**854**	780	716
Accounts receivable	**519**	432	456
Credit card receivables (note 7)	**2,175**	1,987	2,305
Inventories (note 8)	**1,951**	1,926	2,007
Income taxes recoverable	**–**	5	–
Prepaid expenses and other assets	**109**	123	74
Assets held for sale	**35**	18	30
Total Current Assets	**6,332**	5,928	6,667
Fixed Assets	**8,919**	8,694	8,973
Investment Properties	**95**	95	100
Goodwill and Intangible Assets	**1,062**	1,026	1,057
Deferred Income Taxes	**249**	241	260
Security Deposits (note 6)	**207**	249	252
Franchise Loans Receivable	**372**	352	363
Other Assets (note 9)	**224**	293	289
Total Assets	**$ 17,460**	$ 16,878	$ 17,961
Liabilities			
Current Liabilities			
Trade payables and other liabilities	**3,211**	3,079	3,720
Provisions	**64**	37	78
Income taxes payable	**19**	–	21
Short term debt	**905**	905	905
Long term debt due within one year (note 10)	**772**	82	672
Total Current Liabilities	**4,971**	4,103	5,396
Provisions	**64**	50	59
Long Term Debt (note 10)	**4,901**	5,489	4,997
Deferred Income Taxes	**18**	27	18
Capital Securities	**223**	222	223
Other Liabilities (note 11)	**741**	882	849
Total Liabilities	**10,918**	10,773	11,542
Shareholders' Equity			
Common Share Capital (note 12)	**1,574**	1,542	1,567
Retained Earnings	**4,895**	4,507	4,792
Contributed Surplus (note 14)	**68**	51	55
Accumulated Other Comprehensive Income	**5**	5	5
Total Shareholders' Equity	**6,542**	6,105	6,419
Total Liabilities and Shareholders' Equity	**$ 17,460**	$ 16,878	$ 17,961

Contingent liabilities (note 16).

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

(1) Certain 2012 figures have been restated – see note 2.

Condensed Consolidated Statements of Cash Flow

(millions of Canadian dollars) (unaudited)	**March 23, 2013 (12 weeks)**	March 24, 2012[1] (12 weeks)
Operating Activities		
Net earnings	**$ 171**	$ 122
Income taxes (note 4)	**62**	38
Net interest expense and other financing charges (note 3)	**76**	79
Depreciation and amortization	**183**	170
Income taxes paid	**(64)**	(69)
Interest received	**10**	7
Settlement of equity forward contracts (note 15)	**(16)**	–
Change in credit card receivables (note 7)	**130**	114
Change in non-cash working capital	**(529)**	(533)
Fixed assets and other related impairments	**–**	3
Gain on disposal of assets	**(1)**	–
Gain on defined benefit plan amendments (note 13)	**(51)**	–
Other	**–**	12
Cash Flows used in Operating Activities	**(29)**	(57)
Investing Activities		
Fixed asset purchases	**(119)**	(134)
Change in short term investments (note 6)	**(118)**	(43)
Proceeds from fixed asset sales	**2**	1
Change in franchise investments and other receivables	**8**	(17)
Change in security deposits (note 6)	**47**	14
Intangible asset additions	**(9)**	–
Cash Flows used in Investing Activities	**(189)**	(179)
Financing Activities		
Long term debt:		
Issued (note 10)	**10**	23
Retired (note 10)	**(26)**	(29)
Interest paid	**(64)**	(63)
Dividends paid	**(62)**	–
Common shares:		
Issued (note 12)	**11**	2
Purchased and held in trust (note 12)	**(46)**	–
Purchased for cancellation (note 12)	**–**	(2)
Cash Flows used in Financing Activities	**(177)**	(69)
Effect of foreign currency exchange rate changes on cash and cash equivalents	**5**	(4)
Change in cash and cash equivalents	**(390)**	(309)
Cash and cash equivalents, beginning of period	**1,079**	966
Cash and Cash Equivalents, End of Period	**$ 689**	$ 657

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

(1) Certain 2012 figures have been restated – see note 2.

For the periods ended March 23, 2013 and March 24, 2012 (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's outstanding common shares. 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 17).

In December 2012, the Company announced its intention to create a Real Estate Investment Trust ("REIT"), which will acquire a significant portion of Loblaw's real estate assets and sell units by way of an Initial Public Offering ("IPO"). The IPO of the REIT is expected to be completed by mid-2013, subject to prevailing market conditions and receipt of required regulatory approvals, including approval to list the REIT's units on the Toronto Stock Exchange ("TSX").

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. 2013 and 2012 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 and critical accounting estimates and judgments as disclosed in the Company's 2012 audited annual financial statements have been applied consistently in the preparation of these unaudited interim period condensed consolidated financial statements, except where noted below.

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 2012 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 April 30, 2013.

Accounting Standards Implemented in 2013

Fair Value Measurement In 2011, the IASB issued IFRS 13, "Fair Value Measurement" ("IFRS 13"), which establishes a single framework for the fair value measurement and disclosure of financial and non-financial assets and liabilities. The new standard unifies the definition of fair value and also introduces new concepts including 'highest and best use' and 'principle markets' for non-financial assets and liabilities. There are additional disclosure requirements, including increased fair value disclosure for financial instruments for interim and annual financial statements. The Company implemented this standard prospectively in the first quarter of 2013. There were no measurement impacts on the Company's unaudited interim period condensed consolidated financial statements as a result of the adoption of IFRS 13. The Company has included the additional disclosures required by this standard in note 15.

Employee Benefits In 2011, the IASB revised IAS 19, "Employee Benefits" ("IAS 19"). The most significant amendments for the Company are 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 a prescribed discount rate to the net defined benefit obligation. The Company implemented this standard retrospectively in the first quarter of 2013. The impact arising from the adoption of the amendments to IAS 19 is summarized as follows:

Consolidated Statements of Earnings and Comprehensive Income

Increase (Decrease) (millions of Canadian dollars except where otherwise indicated)	March 24, 2012 (12 weeks)	December 29, 2012 (52 weeks)
Selling, General and Administrative Expenses	$ –	$ 1
Operating Income	$ –	$ (1)
Net interest expense and other financing charges	5	20
Earnings Before Income Taxes	$ (5)	$ (21)
Income taxes	(1)	(5)
Net Earnings	$ (4)	$ (16)
Other comprehensive income, net of taxes	4	15
Total Comprehensive Income	$ –	$ (1)
Net Earnings per Common Share ($)		
Basic	$ (0.02)	$ (0.06)
Diluted	$ (0.02)	$ (0.05)

Consolidated Balance Sheets

Increase (Decrease) (millions of Canadian dollars)	As at March 24, 2012	As at December 29, 2012	As at January 1, 2012
Other long term liabilities	$ (3)	$ (2)	$ (3)
Shareholders' equity	$ 3	$ 2	$ 3

The amendments also require enhanced annual disclosures for defined benefit plans, including additional information on the characteristics and risks of those plans, which will be included the Company's 2013 Annual Report – Financial Review.

Other Standards In addition to the above standards, the Company implemented the following standards and amendments effective January 1, 2013: IFRS 10, "Consolidated Financial Statements" ("IFRS 10"), IFRS 11, "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 28, "Investments in Associates" and IAS 1, "Presentation of Financial Statements". There was no significant impact on the Company's unaudited interim period condensed consolidated financial statements as a result of the implementation of these standards.

Changes in Significant Accounting Policies

Basis of Consolidation The unaudited interim period condensed consolidated financial statements include the accounts of the Company and other entities that the Company controls in accordance with IFRS 10 and IAS 27 "Separate Financial Statements". Structured entities are consolidated under IFRS 10, if, based on an evaluation of the substance of its relationship with the Company, the Company concludes that it controls the structured entity. Structured entities are entities controlled by the Company which were designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

Post-Employment and Other Long Term Employee Benefits The Company's net defined benefit obligations (assets) in respect of defined benefits are calculated separately for each plan. The net defined benefit obligations (assets) are actuarially calculated by a qualified actuary at the balance sheet date using the projected unit credit method.

The fair values of plan assets are deducted from the defined benefit plan obligations to arrive at the net defined benefit plan obligation (asset). Past service costs (credits) arising from plan amendments are recognized in operating income in the year that they arise. The actuarially determined net interest costs on the net defined benefit plan obligation are recognized in net interest expense and other financing charges.

At each balance sheet date, plan assets are measured at fair value and defined benefit obligations (assets) are measured using assumptions which approximate their fair values at the reporting date, resulting in actuarial gains and losses from both of these measurements. These actuarial gains or losses are recognized through other comprehensive income and the Company has chosen to reclassify these amounts from accumulated other comprehensive income to retained earnings.

Restricted Share Unit Plan On January 2, 2013, the Company's Restricted Share Unit ("RSU") plan was amended to require settlement in common shares rather than in cash, for grants settled subsequent to March 31, 2013. These awards are accounted for as equity-settled and vest after the end of a performance period, ranging from three to five years. The fair value of each RSU granted is measured separately at the grant date based on the market value of a Loblaw common share less the net present value of the expected dividend stream at the date on which RSUs are awarded to each participant. The compensation expense is prorated over the performance period, with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures. Upon settlement of the award, the amount recognized in contributed surplus for the award is reclassified to share capital.

Performance Share Unit Plan On January 2, 2013, the Company's Performance Share Unit ("PSU") plan was amended to require settlement in common shares rather than in cash. These awards are accounted for as equity-settled and vest after the end of a three year performance period. The number of units that vest will vary based on the achievement of specified performance measures. The fair value of each PSU granted is measured separately at the grant date based on 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, with a corresponding increase to contributed surplus. Forfeitures are estimated at the grant date and are revised to reflect changes in expected or actual forfeitures. Upon settlement of the award, the amount recognized in contributed surplus for the award is reclassified to share capital.

Note 3. Net Interest Expense and Other Financing Charges

(millions of Canadian dollars)	**March 23, 2013 (12 weeks)**	March 24, 2012[1] (12 weeks)
Interest expense and other financing charges:		
Long term debt	**$ 66**	$ 66
Net interest on net defined benefit obligation	**5**	7
Borrowings related to credit card receivables	**9**	8
Independent funding trusts	**3**	4
Dividends on capital securities	**3**	3
	86	88
Interest income:		
Accretion income	**(5)**	(4)
Financial derivative instruments	**(3)**	(3)
Short term interest income	**(2)**	(2)
	(10)	(9)
Net interest expense and other financing charges	**$ 76**	$ 79

Note 4. Income Taxes

The income tax expense for the first quarter of 2013 was $62 million (2012 – $38 million). The effective income tax rate for the first quarter of 2013 was 26.6% (2012 – 23.8%). The increase in the effective income tax rate compared to the first quarter of 2012 was primarily due to decreases in both prior year recoveries and non-taxable amounts.

(1) Certain 2012 figures have been restated – see note 2.

Note 5. Basic and Diluted Net Earnings per Common Share

(millions of Canadian dollars except where otherwise indicated)	March 23, 2013 (12 weeks)	March 24, 2012[1] (12 weeks)
Net earnings for basic earnings per share	$ 171	$ 122
Impact of dividends on capital securities	3	–
Net earnings for diluted earnings per share	$ 174	$ 122
Weighted average common shares outstanding (note 12) (in millions)	280.8	281.4
Dilutive effect of capital securities (in millions)	5.8	–
Dilutive effect of share-based compensation (in millions)	1.4	0.5
Dilutive effect of certain other liabilities (in millions)	0.8	1.0
Diluted weighted average common shares outstanding (in millions)	288.8	282.9
Basic net earnings per common share ($)	$ 0.61	$ 0.43
Diluted net earnings per common share ($)	$ 0.60	$ 0.43

For the first quarter of 2013, 5,437,222 (2012 – 19,029,442) potentially dilutive instruments were excluded from the computation of diluted net earnings per 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 March 23, 2013	As at March 24, 2012	As at December 29, 2012
Cash	$ 145	$ 194	$ 185
Cash equivalents:			
Bankers' acceptances	182	37	279
Government treasury bills	82	180	322
Bank term deposits	–	57	–
Corporate commercial paper	242	164	238
Government agencies securities	–	–	11
Other	38	25	44
Total cash and cash equivalents	$ 689	$ 657	$ 1,079

(1) Certain 2012 figures have been restated – see note 2.

Short Term Investments

(millions of Canadian dollars)	As at March 23, 2013	As at March 24, 2012	As at December 29, 2012
Bankers' acceptances	**$ 42**	$ 15	$ 33
Government treasury bills	**248**	342	282
Corporate commercial paper	**264**	206	151
Government agencies securities	**281**	217	237
Other	**19**	–	13
Total short term investments	**$ 854**	$ 780	$ 716

Security Deposits

(millions of Canadian dollars)	As at March 23, 2013	As at March 24, 2012	As at December 29, 2012
Cash	**$ 90**	$ 98	$ 90
Government treasury bills	**117**	103	126
Government agencies securities	**–**	48	36
Total security deposits	**$ 207**	$ 249	$ 252

As at March 23, 2013, the Company had agreements to cash collateralize certain of its uncommitted credit facilities up to an amount of $134 million (March 24, 2012 – $88 million; December 29, 2012 – $133 million) of which $105 million (March 24, 2012 – $85 million; December 29, 2012 – $97 million) was deposited with major financial institutions and classified as security deposits.

Note 7. Credit Card Receivables

The components of credit card receivables were as follows:

(millions of Canadian dollars)	As at March 23, 2013	As at March 24, 2012	As at December 29, 2012
Gross credit card receivables	**$ 2,218**	$ 2,024	$ 2,348
Allowance for credit card receivables	**(43)**	(37)	(43)
Credit card receivables	**$ 2,175**	$ 1,987	$ 2,305
Securitized to independent securitization trusts			
Securitized to *Eagle Credit Card Trust®*	**600**	600	600
Securitized to Other Independent Securitization Trusts	**905**	905	905

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 Credit Card Trust® ("Eagle")* and Other Independent Securitization Trusts, from time to time depending on PC Bank's financing requirements.

The Company consolidates *Eagle* as a Structured Entity pursuant to IFRS 10. The associated liability of *Eagle* is recorded in long term debt.

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.

The Company has arranged letters of credit on behalf of PC Bank, representing 9% (March 24, 2012 and December 29, 2012 – 9%) of the outstanding securitized liability for the benefit of the Other Independent Securitization Trusts in the amount of $81 million (March 24, 2012 and December 29, 2012 – $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 and was in compliance with this requirement throughout the quarter.

Note 8. Inventories

For inventories recorded as at March 23, 2013, the Company recorded $12 million (March 24, 2012 – $14 million) as an expense for the write-down of inventories below cost to net realizable value. The write-down was included in cost of merchandise inventories sold in the condensed consolidated statements of earnings. There were no reversals of previously recorded write-downs of inventories during the periods ended March 23, 2013 and March 24, 2012.

Note 9. Other Assets

(millions of Canadian dollars)	**As at March 23, 2013**	As at March 24, 2012	As at December 29, 2012
Fair value of cross currency swaps (note 15)	**$ 51**	$ 112	$ 98
Sundry investments and other receivables	**142**	146	159
Accrued benefit plan asset	**2**	–	–
Other	**29**	35	32
Other assets	**$ 224**	$ 293	$ 289

Note 10. Long Term Debt

Loblaw Companies Limited Notes As at March 23, 2013, the Company recorded $300 million (March 24, 2012 – nil; December 29, 2012 – $200 million) of its Medium Term Notes as long term debt due within one year.

Guaranteed Investment Certificates During the first quarter of 2013, PC Bank sold a nominal amount (2012 – $1 million) of Guaranteed Investment Certificates ("GICs") through independent brokers. In addition, during the first quarter of 2013, $10 million (2012 – $14 million) of GICs matured and were repaid. As at March 23, 2013, $293 million (March 24, 2012 – $263 million; December 29, 2012 – $303 million) of outstanding GICs were recorded in long term debt, of which $34 million (March 24, 2012 – $42 million; December 29, 2012 – $36 million) was recorded as long term debt due within one year.

Independent Securitization Trusts As at March 23, 2013, *Eagle* had $600 million (March 24, 2012 and December 29, 2012 – $600 million) in notes outstanding, of which $250 million (March 24, 2012 – nil; December 29, 2012 – $250 million) was recorded as long term debt due within one year.

Independent Funding Trusts As at March 23, 2013, the independent funding trusts had drawn $468 million (March 24, 2012 – $446 million; December 29, 2012 – $459 million) from the revolving committed credit facility that is the source of funding to the independent funding trusts.

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 March 23, 2013, the Company had provided a letter of credit in the amount of $48 million (March 24, 2012 and December 29, 2012 – $48 million).

Committed Credit Facility As at March 23, 2013, March 24, 2012 and December 29, 2012, the Company had not drawn on its existing $800 million committed credit facility.

Private Placement Notes As at March 23, 2013, $306 million (March 24, 2012 – $299 million; December 29, 2012 – $300 million) of US Private Placement ("USPP") notes were recorded as long term debt, of which $153 million (March 24, 2012 – nil; December 29, 2012 – $150 million) was recorded as long term debt due within one year.

Note 11. Other Liabilities

(millions of Canadian dollars)	**As at March 23, 2013**	As at March 24, 2012[(1)]	As at December 29, 2012[(1)]
Net defined benefit plan obligation	**$ 426**	$ 548	$ 529
Other long term employee benefit obligation	**117**	118	116
Deferred vendor allowances	**22**	30	24
Fair value of interest rate swap (note 15)	**–**	16	–
Share-based compensation liability (note 14)	**10**	11	20
Other	**166**	159	160
Other liabilities	**$ 741**	$ 882	$ 849

Note 12. Share Capital

Common Shares (authorized – unlimited) Common shares issued are fully paid and have no par value. The activity in the common shares issued and outstanding during the period was as follows:

	March 23, 2013 (12 weeks)		March 24, 2012 (12 weeks)	
	Number of Common Shares	**Common Share Capital**	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	**281,680,157**	**$ 1,567**	281,385,318	$ 1,540
Issued for settlement of stock options	**313,353**	**13**	56,838	2
Purchased for cancellation	**–**	**–**	(54,908)	–
Issued and outstanding, end of period	**281,993,510**	**1,580**	281,387,248	1,542
Purchased and held in trust	**(1,103,500)**	**(6)**	–	–
Issued and outstanding net of shares held in trust, end of period	**280,890,010**	**$ 1,574**	281,387,248	$ 1,542
Weighted average outstanding, net of shares held in trust	**280,787,779**		281,393,199	

(1) Certain 2012 figures have been restated – see note 2.

Dividends The following table summarizes the Company's cash dividends declared for the first quarters of 2013 and 2012:

	March 23, 2013(i) (12 weeks)	March 24, 2012 (12 weeks)
Dividends declared per share ($):		
Common share	**$ 0.22**	$ 0.21
Second Preferred Share, Series A	**$ 0.37**	$ 0.37

(i) Dividends declared on common shares have a payment date of April 1, 2013. Dividends declared on Second Preferred Shares, Series A have a payment date of April 30, 2013.

For financial statement presentation purposes, Second Preferred Shares, Series A dividends of $3 million (2012 – $3 million) are included as a component of net interest expense and other financing charges in the condensed consolidated statements of earnings (see note 3).

Subsequent to the end of the first quarter of 2013, the Board declared a quarterly dividend of $0.24 per common share payable July 1, 2013, an increase of $0.02, or approximately 9.1%, which follows a 4.8% increase in the third quarter of 2012, and declared a quarterly dividend of $0.37 per Second Preferred Share, Series A, payable July 31, 2013.

Normal Course Issuer Bid During the first quarter of 2013, the Company purchased 1,103,500 shares under its Normal Course Issuer Bid ("NCIB") for cash consideration of $46 million and placed these shares into trusts for future settlement of the Company's RSU and PSU obligations. This resulted in a charge to retained earnings of $40 million and a $6 million reduction in common share capital. During the first quarter of 2012, the Company purchased for cancellation 54,908 common shares under its NCIB for cash consideration of $2 million, resulting in a charge to retained earnings of $2 million and a nominal reduction in common share capital.

Subsequent to the first quarter of 2013, the Company renewed its NCIB to purchase on the TSX or enter into equity derivatives to purchase up to 14,103,672 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 13. Post-Employment and Other Long Term Employee Benefits

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

(millions of Canadian dollars)	March 23, 2013 (12 weeks)	March 24, 2012(1) (12 weeks)
Post-employment benefit (income) cost recognized in operating income(i)	**$ (15)**	$ 36
Other long term employee benefits cost recognized in operating income	**5**	4
Net interest on net defined benefit obligation included in net interest expense and other financing charges (note 3)	**5**	7
Actuarial gains before income taxes recognized in other comprehensive income	**(47)**	(39)

(i) For the first quarter of 2013, post-employment benefit (income) cost included a gain of $51 million (2012 – nil) related to the announced amendments to certain of the Company's defined benefit plans impacting certain employees retiring after January 1, 2015.

The post-employment benefit (income) cost included costs for the Company's defined benefit plans, defined contribution pension plans and the multi-employer pension plans in which it participates. The other long term employee benefits cost included costs for the Company's long term disability plan. The actuarial gains recognized in other comprehensive income in the first quarters of 2013 and 2012 were primarily due to higher than expected returns on assets.

(1) Certain 2012 figures have been restated – see note 2.

Note 14. Share-Based Compensation

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

(millions of Canadian dollars)	**March 23, 2013 (12 weeks)**	March 24, 2012 (12 weeks)
Stock option plan expense	**$ 5**	$ 4
Equity forwards expense	**–**	5
RSU and PSU plan expense	**3**	3
Net share-based compensation expense	**$ 8**	$ 12

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 consolidated balance sheet as follows:

(millions of Canadian dollars)	**As at March 23, 2013**	As at March 24, 2012	As at December 29, 2012
Trade payables and other liabilities	**$ –**	$ 17	$ 11
Other liabilities	**10**	11	20
Contributed surplus	**68**	51	55

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

(Number of Options)	**March 23, 2013 (12 weeks)**	March 24, 2012 (12 weeks)
Outstanding options, beginning of period	**12,538,928**	10,750,993
Granted	**1,470,267**	4,555,021
Exercised	**(313,353)**	(56,838)
Forfeited	**(81,314)**	(199,920)
Expired	**(48,742)**	(541,729)
Outstanding options, end of period	**13,565,786**	14,507,527

During the first quarter of 2013, the Company granted 1,470,267 (2012 – 4,555,021) stock options at an exercise price of $40.56 (2012 – $34.93). The fair value as calculated under the Black-Scholes option valuation model was $11 million (2012 – $27 million). In addition, in the first quarter of 2013, the Company issued 313,353 (2012 – 56,838) common shares on the exercise of stock options, with a weighted average share price of $40.21 (2012 – $34.81) and received cash consideration of $11 million (2012 – $2 million).

The assumptions used to measure the fair value of options granted during the first quarter of 2013 and the first quarter of 2012 under the Black-Scholes option valuation model at the grant date were as follows:

	March 23, 2013 (12 weeks)	March 24, 2012 (12 weeks)
Expected dividend yield	**2.1%**	2.4%
Expected share price volatility	**19.8% – 23.5%**	22.6% – 24.8%
Risk-free interest rate	**1.2% – 1.4%**	1.4% – 1.5%
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 March 23, 2013 was 15.0% (March 24, 2012 – 16.3%; December 29, 2012 – 15.0%).

Equity Forward Contracts A summary of Glenhuron's equity forward contracts is as follows (see note 15):

	As at March 23, 2013	As at March 24, 2012	As at December 29, 2012
Outstanding contracts (in millions)	**–**	1.1	1.1
Average forward price per share ($)	**$ –**	$ 56.57	$ 56.59
Interest expense per share ($)	**$ –**	$ 0.14	$ 0.16
Unrealized market loss recorded in trade payables and other liabilities (millions of Canadian dollars)	**$ –**	$ 25	$ 16

On January 7, 2013, Glenhuron paid $16 million to settle the remaining equity forwards representing 1,103,500 Loblaw common shares.

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

(Number of Awards)	**March 23, 2013 (12 weeks)**	March 24, 2012 (12 weeks)
RSUs, beginning of period	**1,038,271**	1,119,496
Granted	**322,393**	375,684
Settled	**(239,150)**	(14,751)
Forfeited	**(12,367)**	(10,630)
RSUs, end of period	**1,109,147**	1,469,799
RSUs, settled (millions of Canadian dollars)	**$ 10**	$ 1

During the first quarter of 2013, the Company granted 322,393 (2012 – 375,684) RSUs with a fair value of $13 million (2012 – $12 million).

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

(Number of Awards)	**March 23, 2013 (12 weeks)**	March 24, 2012 (12 weeks)
PSUs, beginning of period	**50,818**	–
Granted	**280,768**	50,818
PSUs, end of period	**331,586**	50,818

During the first quarter of 2013, the Company granted 280,768 (2012 – 50,818) PSUs with a fair value of $11 million (2012 – $2 million).

On January 2, 2013, the Company's RSU and PSU plans were amended to require settlement in shares rather than in cash. As a result, $11 million previously recorded at fair value in trade payables and other liabilities and other liabilities, was reclassified to contributed surplus. During the first quarter of 2013, the Company established a trust for each of the RSU and PSU plans to facilitate the purchase of shares for future settlement upon vesting. The trusts are considered structured entities and are consolidated in the Company's financial statements with the cost of the acquired shares recorded at book value as a reduction to share capital (note 12). Any premium on the acquisition of the shares above book value is applied to retained earnings until the shares are issued to settle RSU and PSU plan obligations.

Note 15. Financial Instruments

The following table provides a comparison of the carrying and fair values for each classification of financial instruments as at March 23, 2013:

(millions of Canadian dollars)	Financial instruments required to be classified as fair value through profit or loss	Financial instruments designated as fair value through profit or loss	Loans and receivables (amortized cost)	Other financial liabilities (amortized cost)	Total carrying amount	Total fair value
Cash and cash equivalents	$ –	$ 689	$ –	$ –	$ 689	$ 689
Short term investments	–	854	–	–	854	854
Security deposits	–	207	–	–	207	207
Accounts receivable	–	–	519	–	519	519
Credit card receivables	–	–	2,175	–	2,175	2,175
Derivatives included in prepaid expenses and other assets	41	–	–	–	41	41
Franchise Loans Receivable	–	–	372	–	372	372
Derivatives included in other assets	51	–	–	–	51	51
Certain other assets	–	–	79	–	79	79
Total financial assets	$ 92	$ 1,750	$ 3,145	$ –	$ 4,987	$ 4,987
Trade payables and other liabilities	$ –	$ –	$ –	$ 3,203	$ 3,203	$ 3,203
Derivatives included in trade payables and other liabilities	8	–	–	–	8	8
Short term debt	–	–	–	905	905	905
Long Term debt	–	–	–	5,673	5,673	6,347
Capital Securities	–	–	–	223	223	238
Certain other liabilities	–	–	–	43	43	43
Total financial liabilities	$ 8	$ –	$ –	$ 10,047	$ 10,055	$ 10,744

The following table presents the fair value hierarchy of financial assets and financial liabilities, excluding those classified as amortized cost that are short term in nature, as at March 23, 2013:

(millions of Canadian dollars)	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Classified as fair value through profit or loss	$ –	$ 92	$ –	$ 92
Designated as fair value through profit or loss	235	1,515	–	1,750
Loans and receivables (amortized cost)	–	12	439	451
Financial liabilities				
Classified as fair value through profit or loss	$ –	$ 5	$ 3	$ 8
Other financial liabilities (amortized cost)	238	6,347	43	6,628

There were no transfers between levels of the fair value hierarchy.

The level 3 financial instruments classified as fair value through profit or loss consists of embedded derivatives on purchase orders placed in countries that do not trade in United States dollars ("USD"), which is the transacting and settlement currency. The valuation technique used for this embedded derivative is a market approach, which is based on the differential in exchange rates and timing of settlement. The significant unobservable input used in the fair value measurement is the cost of purchase orders. Significant increases (decreases) in any of the inputs would result in a significantly higher (lower) fair value measurement.

The fair value of the embedded foreign currency derivative classified as Level 3 included in trade payables and other liabilities was $3 million (March 24, 2012 – $1 million included in other assets; December 29, 2012 – $1 million included in trade payables and other liabilities), of which the fair value loss of $2 million was recognized in operating income. A 1% increase (decrease) in foreign currency exchange rates would result in a $1 million gain (loss) in fair value.

During the first quarter of 2013, the net gain on financial instruments designated as fair value through profit or loss recognized in earnings before income taxes was $28 million. In addition, the net loss on financial instruments required to be classified as fair value through profit or loss, recognized in earnings before income taxes was $23 million.

During 2013, net interest expense of $76 million was recorded related to financial instruments not classified or designated as fair value through profit or loss.

The following is a discussion of the Company's derivative instruments:

Cross Currency Swaps As at the end of the first quarter of 2013, Glenhuron held cross currency swaps to exchange USD for Canadian dollars. The swaps mature by 2019 and are financial derivatives classified as fair value through profit or loss. Amounts receivable or payable arising from these swaps are settled in cash upon maturity.

As at the end of the first quarter of 2013, the Company held cross currency swaps to exchange $296 million Canadian dollars for $300 million USD for settlement of the Company's USPP notes included in long term debt, of which $148 million matures in the second quarter of 2013 and $148 million matures in the second quarter of 2015.

The following tables summarize the financial impact of the Company's cross currency swaps:

	Glenhuron Cross Currency Swaps			USPP Cross Currency Swaps		
(millions of Canadian dollars)	**As at March 23, 2013**	As at March 24, 2012	As at December 29, 2012	**As at March 23, 2013**	As at March 24, 2012	As at December 29, 2012
Exchange amount	**$ 1,170**	$ 1,213	$ 1,199	**$ 296**	$ 296	$ 296
Cumulative unrealized foreign currency exchange rate receivable recorded in:						
Prepaid expenses and other assets	**$ 34**	$ 47	$ 20	**$ 6**	$ –	$ 2
Other assets	**$ 42**	$ 102	$ 93	**$ 9**	$ 10	$ 5

The Glenhuron cross currency swaps and USPP cross currency swaps offset the effect of translation (gains) losses on the underlying USD cash of $1,077 million (2012 – $1,078 million) and $300 million (2012 – $300 million) USPP notes in USD long term debt, respectively.

The following table summarizes the changes in fair value of the cross currency swaps and the underlying exposures:

For the periods ended March 23, 2013 and March 24, 2012 (millions of Canadian dollars)	Glenhuron Cross Currency Swaps **2013 (12 weeks)**	Glenhuron Cross Currency Swaps 2012 (12 weeks)	USPP Cross Currency Swaps **2013 (12 weeks)**	USPP Cross Currency Swaps 2012 (12 weeks)
Fair value loss (gain) related to swaps recorded in operating income	**$ 31**	$ (28)	**$ (8)**	$ 4
Translation (gain) loss related to the underlying exposures	**$ (28)**	$ 25	**$ 8**	$ (7)

Interest Rate Swaps The Company maintains a notional $150 million (March 24, 2012 and December 29, 2012 − $150 million) in interest rate swaps that mature by the third quarter of 2013, on which it pays a fixed rate of 8.38%. At March 23, 2013, the fair value of these interest rate swaps of $5 million was recorded in trade payables and other liabilities (March 24, 2012 – $16 million recorded in other liabilities; December 29, 2012 – $5 million recorded in trade payables and other liabilities) (see note 11). During the first quarter of 2013, the Company recognized a nominal fair value gain (2012 – nominal gain) in operating income related to these swaps.

Equity Forward Contracts On January 7, 2013, Glenhuron paid $16 million to settle the remaining equity forwards representing 1,103,500 Loblaw common shares. During the first quarter of 2013, Glenhuron recognized a nominal loss (2012 – $5 million) in operating income related to these forwards.

Other Derivatives The Company also maintains other financial derivatives including foreign exchange forwards, electricity forwards and fuel exchange traded futures and options. During the first quarter of 2013, the Company recognized a gain of $2 million (2012 – $2 million) in operating income. As at March 23, 2013, a cumulative unrealized gain receivable of $1 million (March 24, 2012 – $1 million; December 29, 2012 – nominal) was recorded in prepaid expenses and other assets.

Franchise Loans Receivable and Franchise Investments in Other Assets The value of franchise loans receivable of $372 million (March 24, 2012 – $352 million; December 29, 2012 – $363 million) was recorded on the consolidated balance sheets. During 2013, the Company recorded an impairment loss of $3 million (2012 – $2 million) in operating income related to these loans receivable.

The value of franchise investments included in other assets recorded on the consolidated balance sheets was $67 million (March 24, 2012 – $64 million; December 29, 2012 – $64 million). During 2013, the Company recognized an impairment loss of $5 million (2012 – $5 million) in operating income related to these investments.

Valuation process The fair value of financial instruments is performed by the Company's treasury and financial reporting departments, on a quarterly basis. There was no change in valuation techniques applied to financial instruments from the prior year. The following table describes the valuation techniques used in the determination of the fair values of financial instruments:

Type	Valuation Approach
Cash and cash equivalents, short term investments and security deposits	The carrying amount approximates fair value due to the short term maturity of these instruments.
Accounts receivable, credit card receivables, trade payables and other liabilities and short term debt	The carrying amount approximates fair value due to the short term maturity of these instruments.
Franchise loans receivable	The carrying amount approximates fair value due to the minimal fluctuations in the forward interest rate and the sufficiency provisions recorded for all impaired receivables.
Derivative financial instruments	Specific valuation techniques used to value derivative instruments include: • Quoted market prices or dealer quotes for similar instruments; • The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and • The fair value of cross currency swaps is determined by forward and spot foreign exchange rates. The fair value of certain swaps is determined by an external valuator with experience in the financial markets.
Long term debt, capital securities and other financial instruments	The fair value is based on the present value of contractual cash flows, discounted at Company's current incremental borrowing rate for similar types of borrowing arrangements or, where applicable, quoted market prices.

Note 16. Contingent Liabilities

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 The Company is involved in and potentially subject to tax audits from various governments and regulatory agencies relating to income, capital and commodity taxes 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 assessments and reassessments. These assessments and reassessments may have a material impact on the Company's financial statements in future periods.

During 2012, the Company received indication from the 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 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 17. 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.

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

(millions of Canadian dollars)	**March 23, 2013 (12 weeks)**	March 24, 2012 (12 weeks)
Revenue		
Retail	**$ 7,037**	$ 6,808
Financial services[(i)]	**165**	129
Consolidated	**$ 7,202**	$ 6,937

(i) Included in financial services revenue is $77 million (March 24, 2012 – $62 million) of interest income.

(millions of Canadian dollars)	**March 23, 2013 (12 weeks)**	March 24, 2012 (12 weeks)
Depreciation and Amortization		
Retail	**$ 180**	$ 168
Financial services	**3**	2
Consolidated	**$ 183**	$ 170

(millions of Canadian dollars)	**March 23, 2013 (12 weeks)**	March 24, 2012 (12 weeks)
Operating Income		
Retail	**$ 279**	$ 225
Financial services	**30**	14
Consolidated	**$ 309**	$ 239

(millions of Canadian dollars)	March 23, 2013 (12 weeks)	March 24, 2012[1] (12 weeks)
Net Interest Expense and Other Financing Charges		
Retail	**$ 65**	$ 69
Financial services	**11**	10
Consolidated	**$ 76**	$ 79

(millions of Canadian dollars)	As at March 23, 2013	As at March 24, 2012	As at December 29, 2012
Total Assets			
Retail	**$ 14,964**	$ 14,575	$ 15,474
Financial services	**2,496**	2,303	2,487
Consolidated	**$ 17,460**	$ 16,878	$ 17,961

(millions of Canadian dollars)	March 23, 2013 (12 weeks)	March 24, 2012 (12 weeks)
Additions to Fixed Assets and Goodwill and Intangible Assets		
Retail	**$ 128**	$ 131
Financial services	**–**	3
Consolidated	**$ 128**	$ 134

(1) Certain 2012 figures have been restated – see note 2.

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

The following is the Company's updated earnings coverage ratio for the rolling 52 week period ended March 23, 2013 in connection with the Company's Short Form Base Shelf Prospectus dated December 21, 2012.

Earnings coverage on financial liabilities(1)	3.56 times

The earnings coverage ratio on financial liabilities is equal to consolidated net earnings (before interest on short term debt and long term debt, dividends on capital securities and income taxes) divided by consolidated interest on short term and long term debt and dividends on capital securities. For the purposes of calculating the earnings coverage ratio set forth above, long term debt includes the current portion of long term debt.

(1) Company's earnings coverage ratio has been calculated using certain 2012 figures that have been restated due to the implementation of revised IAS 19 "Employee Benefits" – see note 2.

Financial Summary

As at or for the periods ended March 23, 2013 and March 24, 2012 (unaudited) (millions of Canadian dollars except where otherwise indicated)	**2013** **(12 weeks)**	2012[1] (12 weeks)
Consolidated Results of Operations		
Revenue	**$ 7,202**	$ 6,937
Operating income	**309**	239
EBITDA[2]	**492**	409
Net interest expense and other financing charges	**76**	79
Net earnings	**171**	122
Consolidated Financial Position and Cash Flow		
Adjusted debt[2]	**4,341**	4,332
Cash and cash equivalents, short term investments and security deposits	**1,750**	1,686
Cash flows used in operating activities	**(29)**	(57)
Capital investment[3]	**119**	134
Free cash flow[2]	**(342)**	(368)
Consolidated Per Common Share ($)		
Basic net earnings	**0.61**	0.43
Consolidated Financial Measures and Ratios		
Revenue growth	**3.8%**	0.9%
Operating margin[3]	**4.3%**	3.4%
EBITDA margin[2]	**6.8%**	5.9%
Adjusted debt[2] to rolling year EBITDA[2]	**2.1x**	2.1x
Interest coverage[2]	**4.1x**	3.0x
Rolling year return on average net assets[2]	**10.3%**	11.1%
Rolling year return on average shareholders' equity	**11.1%**	12.4%
Retail Results of Operations		
Sales	**7,037**	6,808
Gross profit	**1,576**	1,529
Operating income	**279**	225
Retail Operating Statistics		
Same-store sales[3] growth (decline)	**2.8%**	(0.7%)
Gross profit percentage	**22.4%**	22.5%
Operating margin[3]	**4.0%**	3.3%
Retail square footage (in millions)	**51.5**	51.3
Number of corporate stores	**573**	585
Number of franchise stores	**482**	462
Financial Services Results of Operations		
Revenue	**165**	129
Operating income	**30**	14
Earnings before income taxes	**19**	4
Financial Services Operating Measures and Statistics		
Average quarterly net credit card receivables	**2,240**	2,004
Credit card receivables	**2,175**	1,987
Allowance for credit card receivables	**43**	37
Annualized yield on average quarterly gross credit card receivables[3]	**13.5%**	13.1%
Annualized credit loss rate on average quarterly gross credit card receivables[3]	**4.2%**	4.5%

(1) Certain 2012 figures have been restated – see note 2.

(2) See Non-GAAP Financial Measures on page 20 of the Management's Discussion and Analysis in this report.

(3) For financial definitions and ratios refer to the Glossary of Terms on page 103 of the 2012 Annual Report – Financial Review

Corporate Profile

The Company is a subsidiary of George Weston Limited and is Canada's largest food retailer and a leading provider of drugstore, general merchandise and financial products and services. The Company has two reportable operating segments: Retail and Financial Services. Loblaw and its franchisees together are among the largest private sector employers in Canada, employing approximately 134,000 full-time and part-time employees across more than 1,000 corporate and franchise 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 one of Canada's strongest control brand programs, 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. As one of the country's leading retailers, reaching 14 million consumers each week, the Company is uniquely positioned to deliver on its purpose – *Live Life Well* – and to provide Canadians with products, services, value and experience to enrich their lives. The Company delivers on this purpose through its strategy to strengthen its competitive position with a winning customer proposition and efficient and cost-effective operations fueled by growth opportunities in emerging and complementary businesses.

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

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M5J 2Y1	Toll free fax: 1-888-453-0330
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To change your address or eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare Investor Services Inc.

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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 May 1, 2013 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: 19428436. 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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