

Loblaw

Loblaw Investor Day

February 28, 2012



Forward looking statements

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

- its capital expenditures in 2012 will be approximately \$1.1 billion;
- costs associated with the transition of certain Ontario conventional stores under collective agreements ratified in 2010 will range from \$30 million to \$40 million;
- incremental costs related to investments in IT and supply chain in 2012 will be approximately \$70 million;
- incremental costs associated with strengthening its customer proposition will be approximately \$40 million; and
- full-year 2012 net earnings per share to be down year-over-year, with more pressure in the first half of the year, as a result of the Company's expectation that operations will not cover the incremental costs related to the investments in IT and supply chain and its customer proposition.

These forward-looking statements are not historical facts but reflect the Company's current expectations concerning future results and events. They also reflect management's current assumptions regarding the risks and uncertainties referred to below and their respective impact on the Company. In addition, the Company's expectation with regard to its net earnings in 2012 is based in part on the assumptions that tax rates will be similar to those in 2011, the Company achieves its plan to increase net retail square footage by 1% and there are no unexpected adverse events or costs related to the Company's investments in IT and supply chain.

These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including, but not limited to:

- failure to realize revenue growth, anticipated cost savings or operating efficiencies from the Company's major initiatives, including investments in the Company's IT systems, including the Company's IT systems implementation, or unanticipated results from these initiatives;
- the inability of the Company's IT infrastructure to support the requirements of the Company's business;
- heightened competition, whether from current competitors or new entrants to the market place;

- changes in economic conditions including the rate of inflation or deflation, changes in interest and currency exchange rates and derivative and commodity prices;
- public health events including those related to food safety;
- failure to achieve desired results in labour negotiations, including the terms of future collective bargaining agreements, which could lead to work stoppages;
- the inability of the Company to manage inventory to minimize the impact of obsolete or excess inventory and to control shrink;
- failure by the Company to maintain appropriate records to support its compliance with accounting, tax or legal rules, regulations and policies;
- failure of the Company's franchise stores to perform as expected;
- reliance on the performance and retention of third-party service providers including those associated with the Company's supply chain and apparel business;
- supply and quality control issues with vendors;
- changes to or failure to comply with laws and regulations affecting the Company and its business, including changes to the regulation of generic prescription drug prices and the reduction of reimbursement under public drug benefit plans and the elimination or reduction of professional allowances paid by drug manufacturers;
- changes in the Company's income, commodity, other tax and regulatory liabilities including changes in tax laws, regulations or future assessments;
- any requirement of the Company to make contributions to its registered funded defined benefit pension plans or the multi-employer pension plans in which it participates in excess of those currently contemplated;
- the risk that the Company would experience a financial loss if its counterparties fail to meet their obligations in accordance with the terms and conditions of their contracts with the Company; and
- the inability of the Company to collect on its credit card receivables.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Other risks and uncertainties not presently known to the Company or that the Company presently believes are not material could also cause actual results or events to differ materially from those expressed in its forward-looking statements. Additional risks and uncertainties are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Enterprise Risks and Risk Management section of the Management's Discussion and Analysis ("MD&A") and the MD&A included in the Company's 2011 Annual Report – Financial Review. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect the Company's expectations only as of the date of this presentation. The Company disclaims any intention or obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Loblaws

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Loblaw

Vicente Trius

President



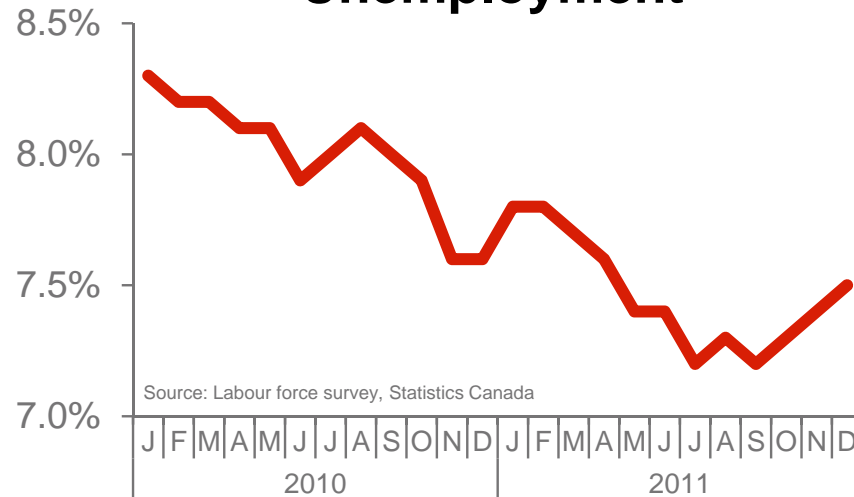
Today's agenda

- My first six months
- A look at the last five years and where we are today
- Opportunities and the way forward
- Financial overview and outlook

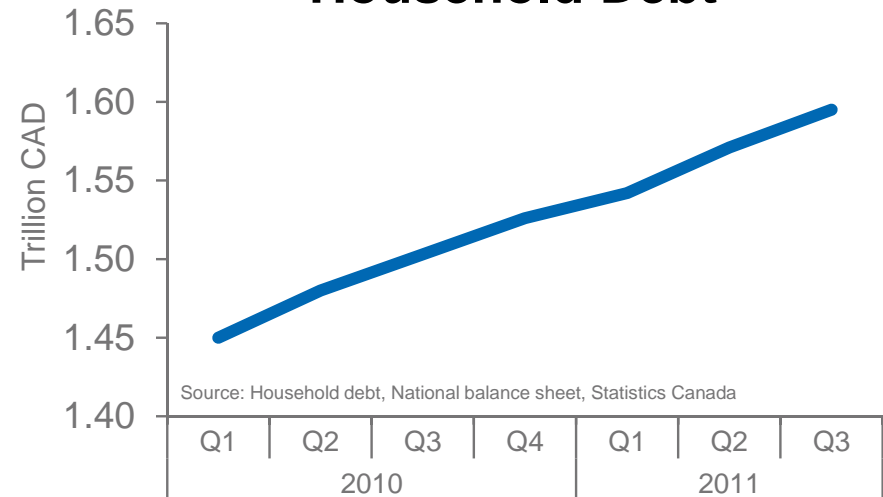


It is a challenging environment

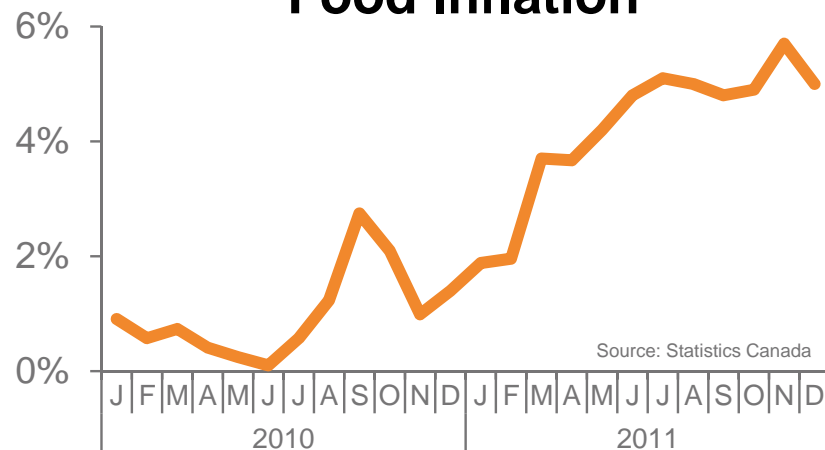
Unemployment



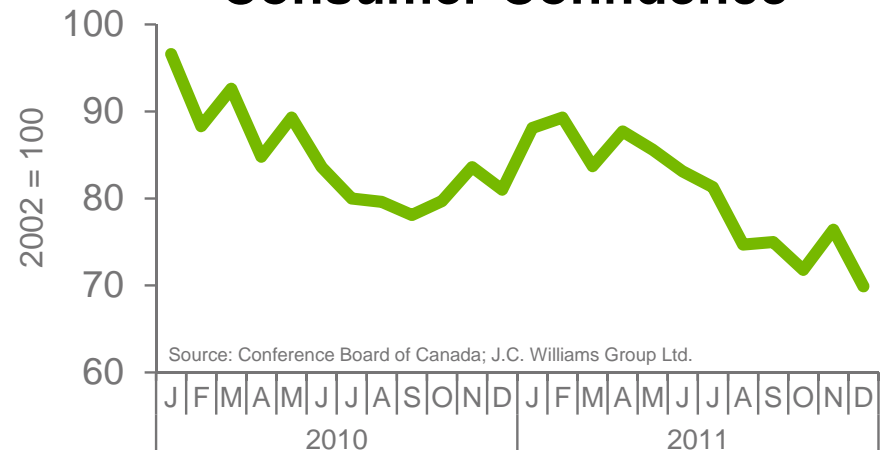
Household Debt



Food Inflation



Consumer Confidence



Consumer is changing



Healthy competitive environment – Good for consumers



What I've heard so far

Customers



Colleagues



Vendors



Shareholders



Positives

- ☐ Brands
- ☐ Long-term
- ☐ Pride
- ☐ Locations

Opportunities

- ☐ Consistency
- ☐ Growth
- ☐ Execution

Strong brands are strategic differentiators driving loyalty into our stores

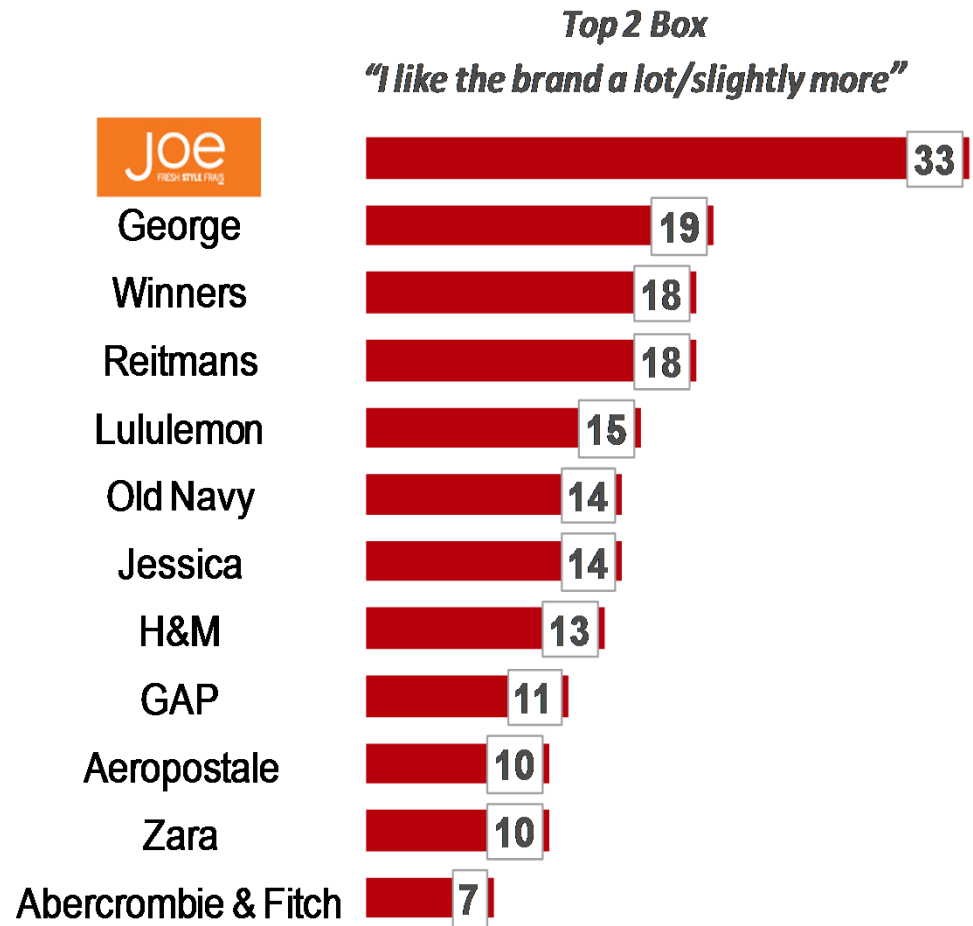
President's Choice 



Ipsos Reid 2012	
1	Microsoft
2	Google
3	President's Choice
4	Apple
5	Wal Mart
6	CBC
7	Facebook
8	Visa
9	YouTube
10	Air Miles

 Ipsos Reid
2012
THE MOST INFLUENTIAL BRANDS IN CANADA

Brand strength extends beyond food - Joe a resounding success



Source: LCL Consumer Insights, Nov 2011

Store renewal delivering an enhanced experience

- 237 major renovations – representing 34% of total sales
- Portfolio performance exceeding hurdle rate



Atlantic Superstore

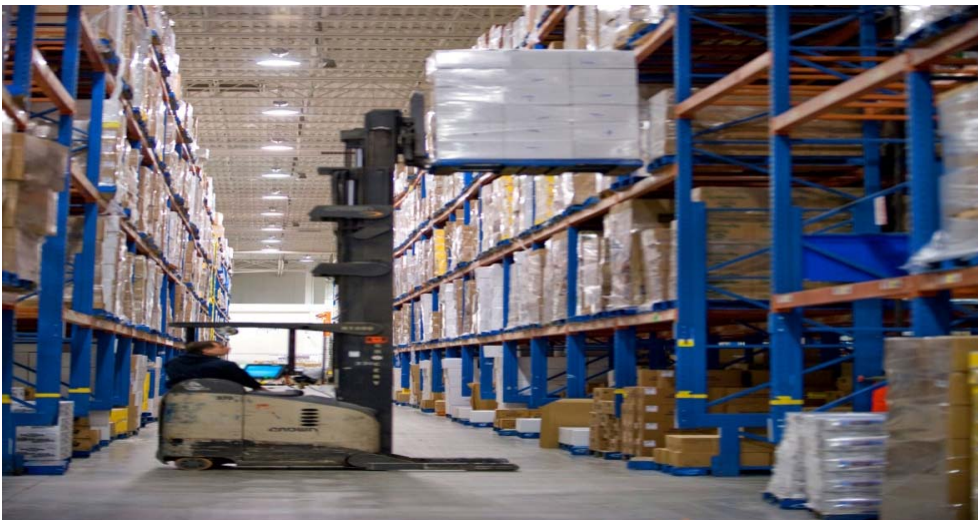


RCSS



Zehrs

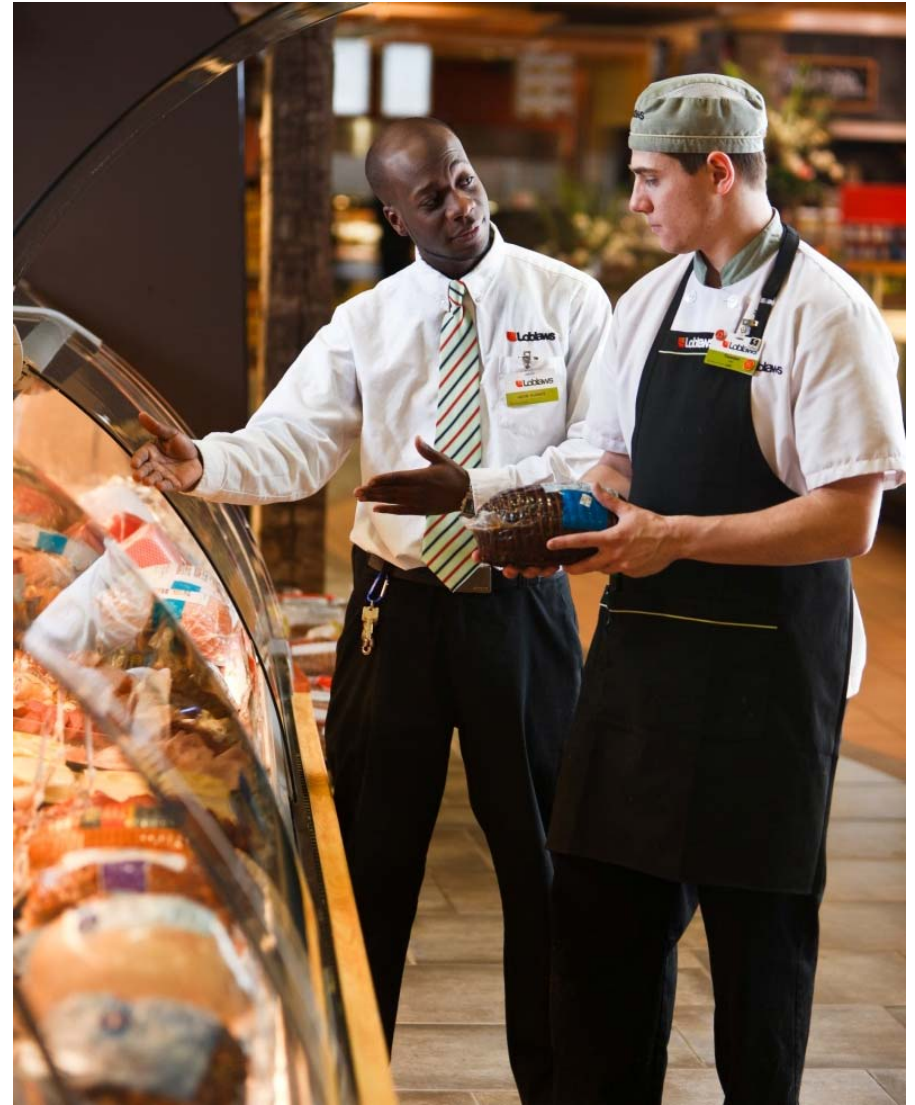
A world class supply chain



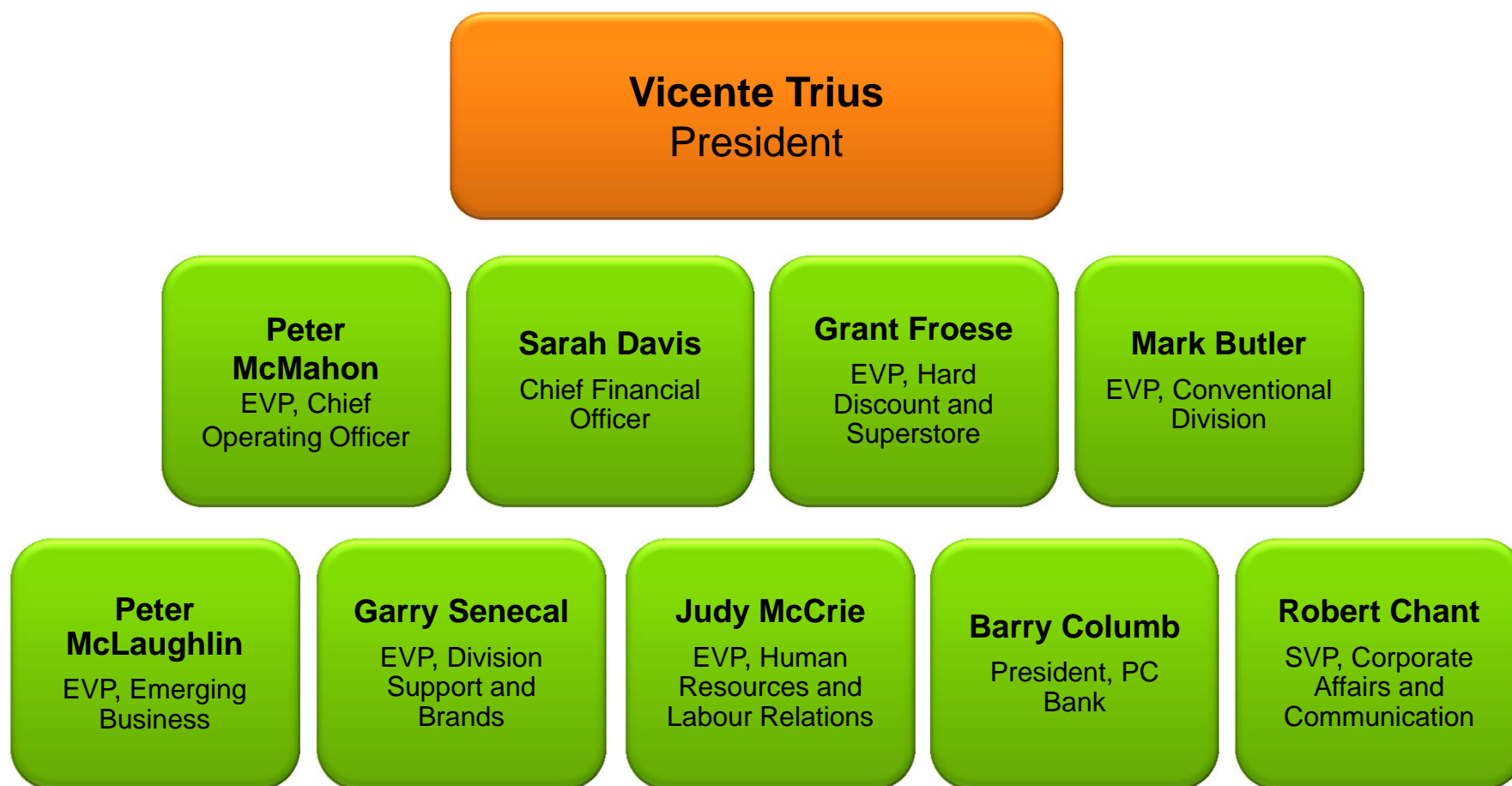
- Warehouse and transport management systems implemented
- Closed 11, opened 8 new strategically located distribution centers
- Service levels improved by 360 bps

Key initiatives are driving meaningful operational improvements

- Labour agreements
 - Flexibility driving competitive edge
 - 75 -100bps rate reduction
 - 3 - 5 year payback
- Improved productivity
 - 34bps YOY
- Best-in-industry availability
 - 98.8%



Bench strength committed to building for the future



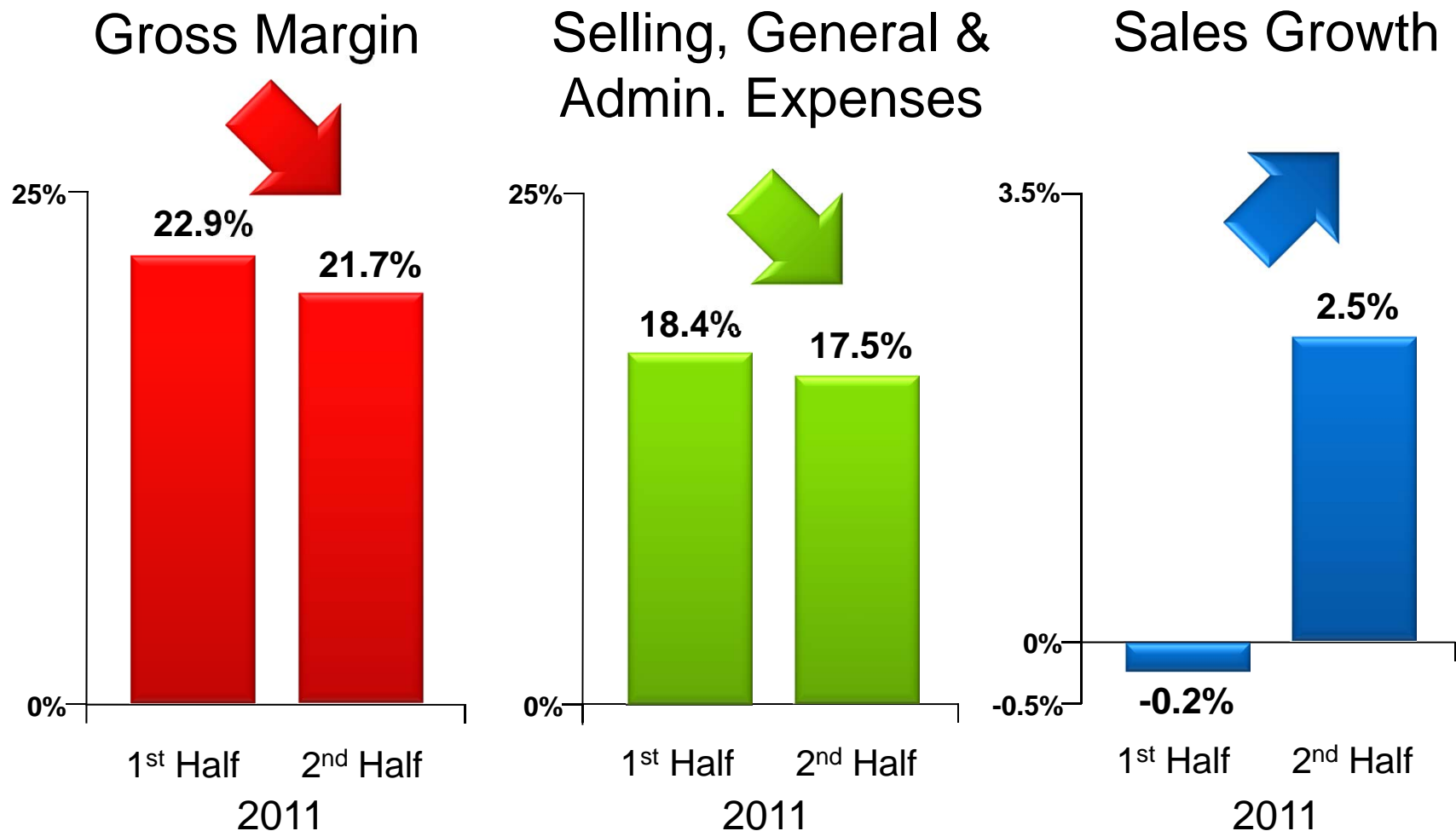
Last five years has delivered strong financial performance

- Sales growth
4 YR CAGR*: 1.6%
- Gross margin
improvement:
170 bps
- EBITDA growth
4 YR CAGR*: 12.5%
- Cash position:
increased \$1.0 billion



* 5 Year range 2007 – 2011: 4 Year Compounded Annual Growth Return

2011 saw a renewed focus on top-line – The shape of things to come

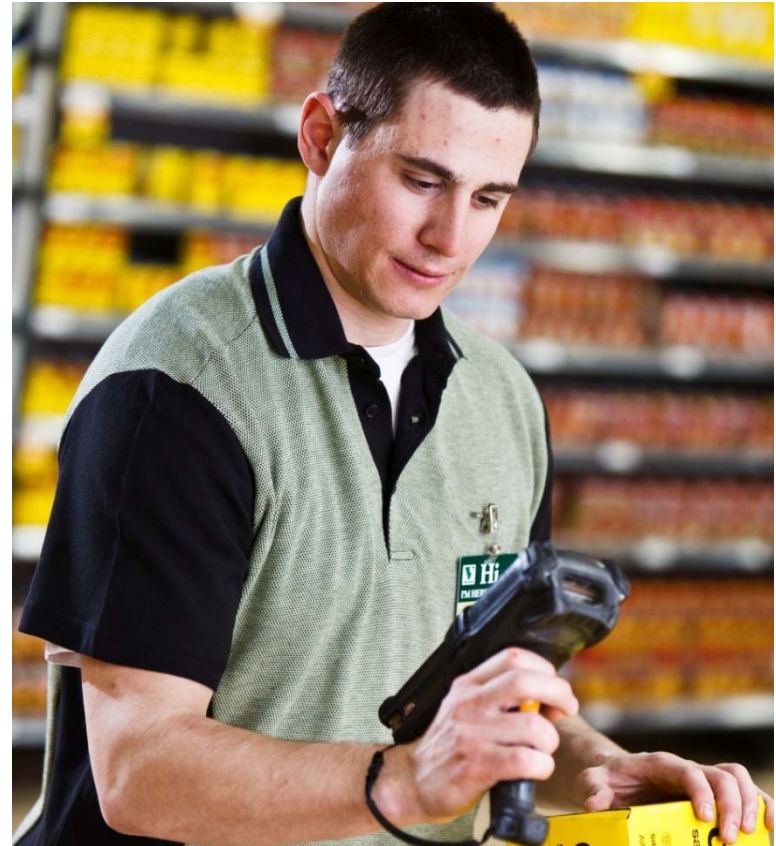


Retail metrics

The way forward



Consistent Growth



Expense Leverage

Strong Shareholder Value

Our strategy

Mission: *To be Canada's best food, health, and home retailer by exceeding customer expectations through innovative products at great prices*

Customer Centric

**Best in Food
with Consistent
Execution**

**Relentless
Efficiency**

**Strong Brands
Drive
Competitive
Advantage**

**Growth
Engines**

Colleagues

Industry Leading Financials

Best in food with consistent execution

Loblaw's at Maple Leaf Gardens®

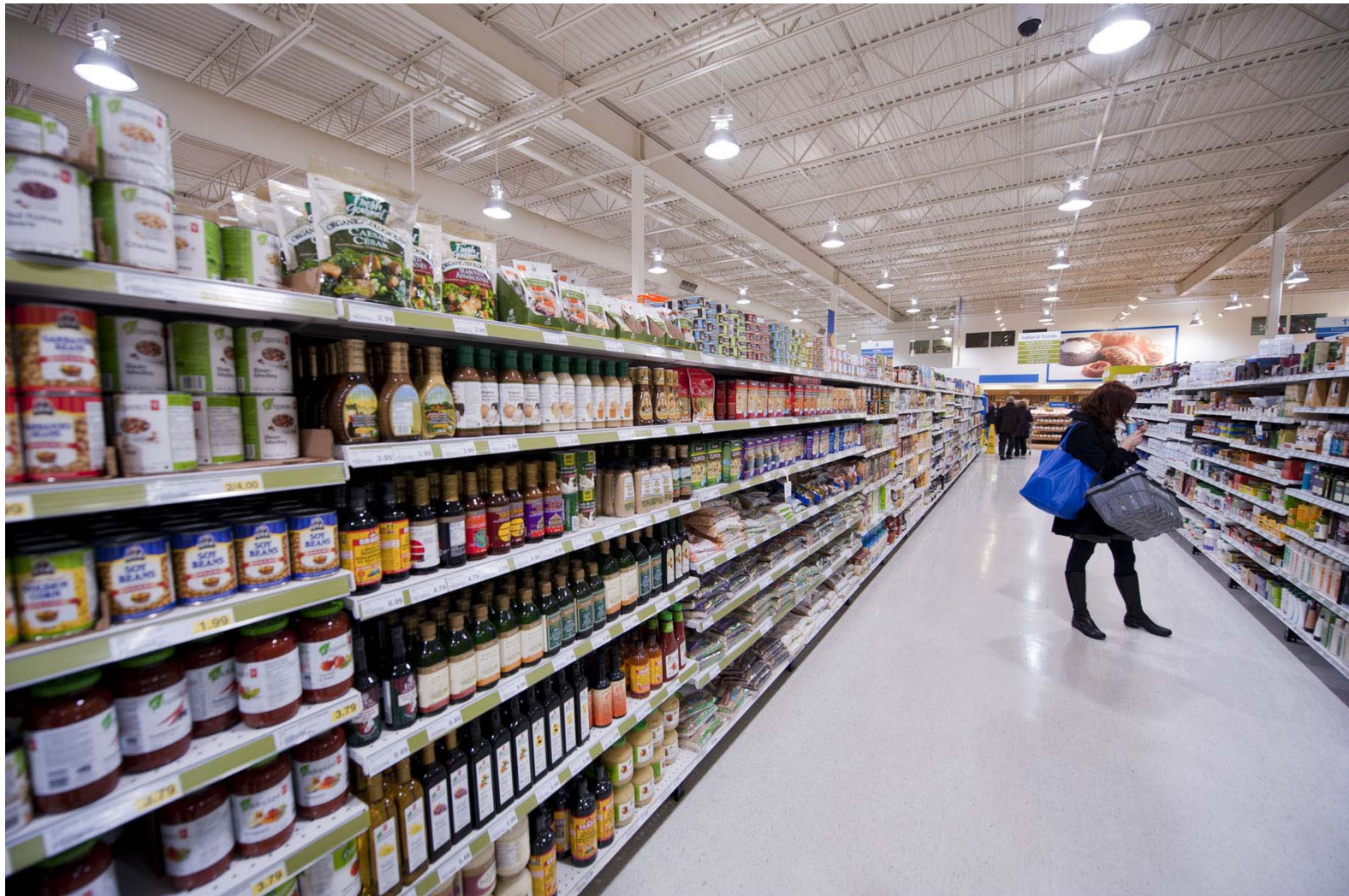


No Frills

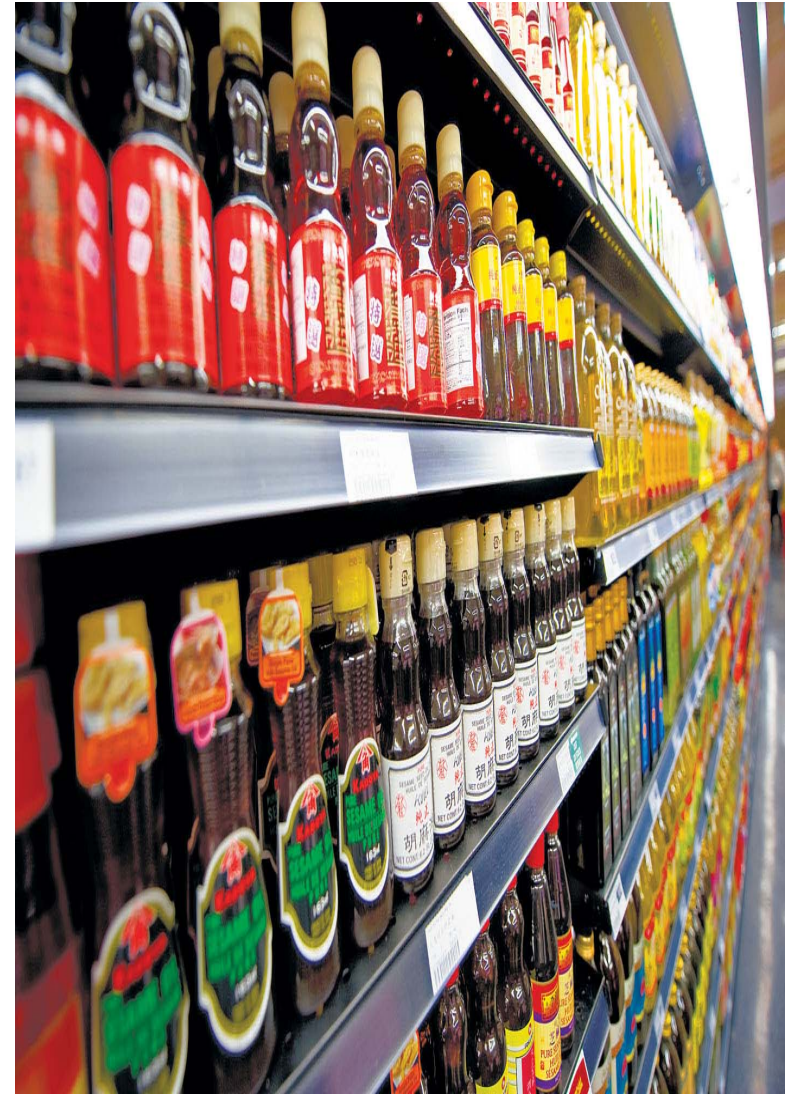


Lead in innovation – Loblaw's at Maple Leaf Gardens®

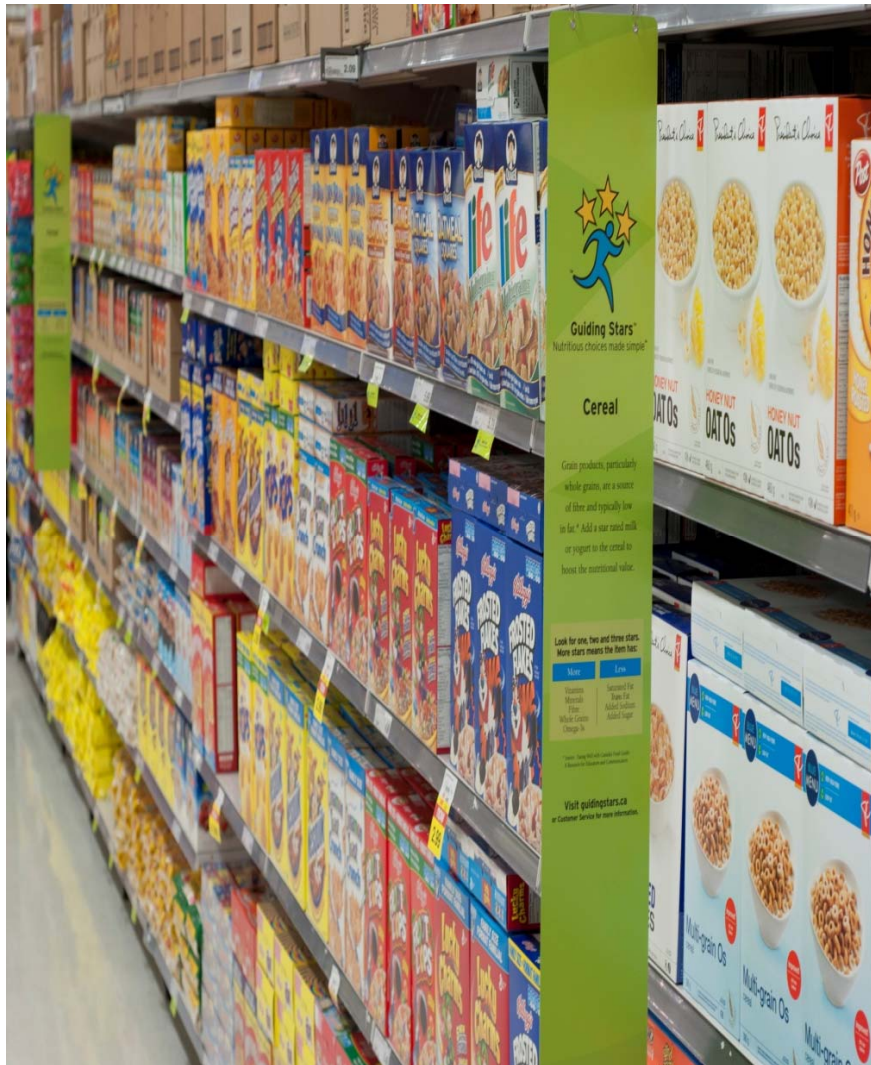
Localizing assortment to our customers



Truly delivering a world of international foods



Catering to our customers' health-conscious choices



Sustainable and competitive pricing



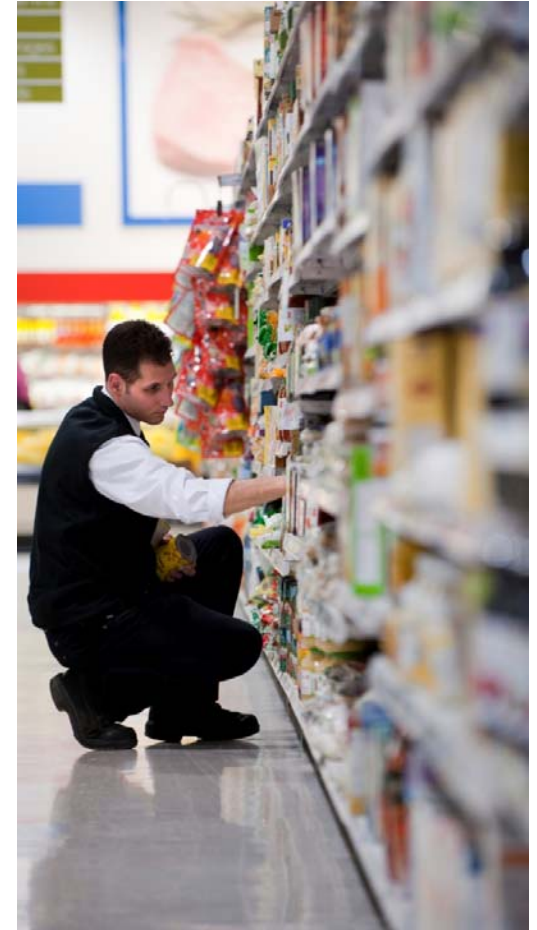
Welcoming stores with an exceptional experience



Resources where it matters



Flow end-to-end



SAP so far – Important groundwork laid

“The Loblaw SAP retail solution is the largest deployment of this solution in the industry and unprecedented at this scale.”

- Accenture

Completed

Categories	Master data, pricing and listing	✓ 2011
PC Financial	Ready for systems integration	✓ 2010
Loblaw Properties	Ready for systems integration	✓ 2010
Finance	General ledger, Financial reporting	✓ 2010

SAP done

2012



Merchandising



Supply Chain



Store Pilot

2013

2014



Store Roll Out

Leverage non-food brands – Drive excitement and differentiation



\$6
6-piece Dinnerware Set.
Also available: Target Placement, \$1.

\$3
2-piece Cutlery Set.

JUMP!
A new world with new friends like a green deer and a smiley-faced fox, plus bears and birds on plates and cuckoo new clocks.

\$2
Your choice in sets of four: Plates, Bowls or Tumblers.

\$5
Your choice in packs of ten: Knickered or Plastic Hangers.

\$10
Fabric Toy Bin.



IT'S TIME TO PLAY

\$12
Animal Clock.

\$7
Wooden Animal Décor.

Element of surprise at attractive price points – Home & Beauty



Driving organic growth – Net new: 500,000 square feet

Queen & Portland



Small No Frills



Continuing to invest in new growth opportunities

Connecting with our Customers



Grow PC Financial



Continued Growth in Joe



Loblaw

Sarah Davis

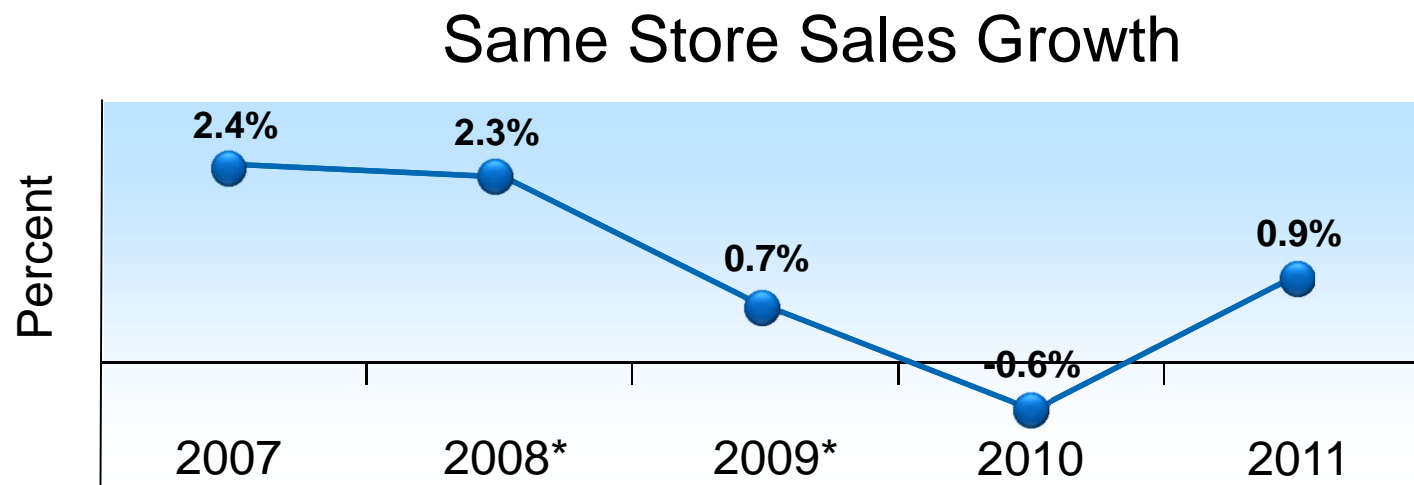
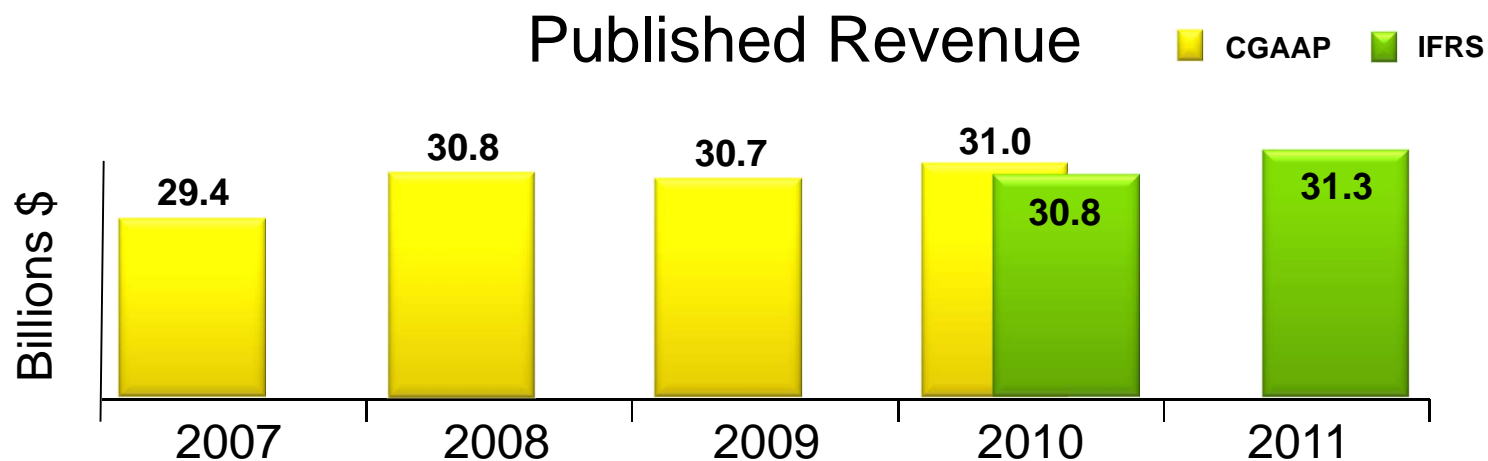
Chief Financial Officer



Our financials

- The last five years
- What to expect in 2012
- 2013 and beyond

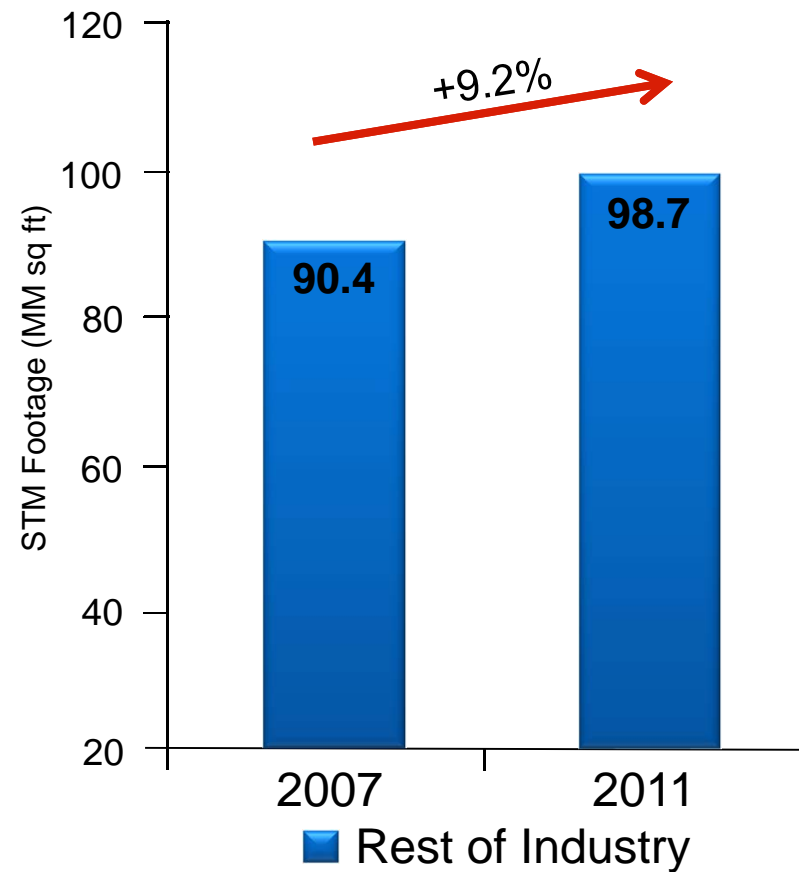
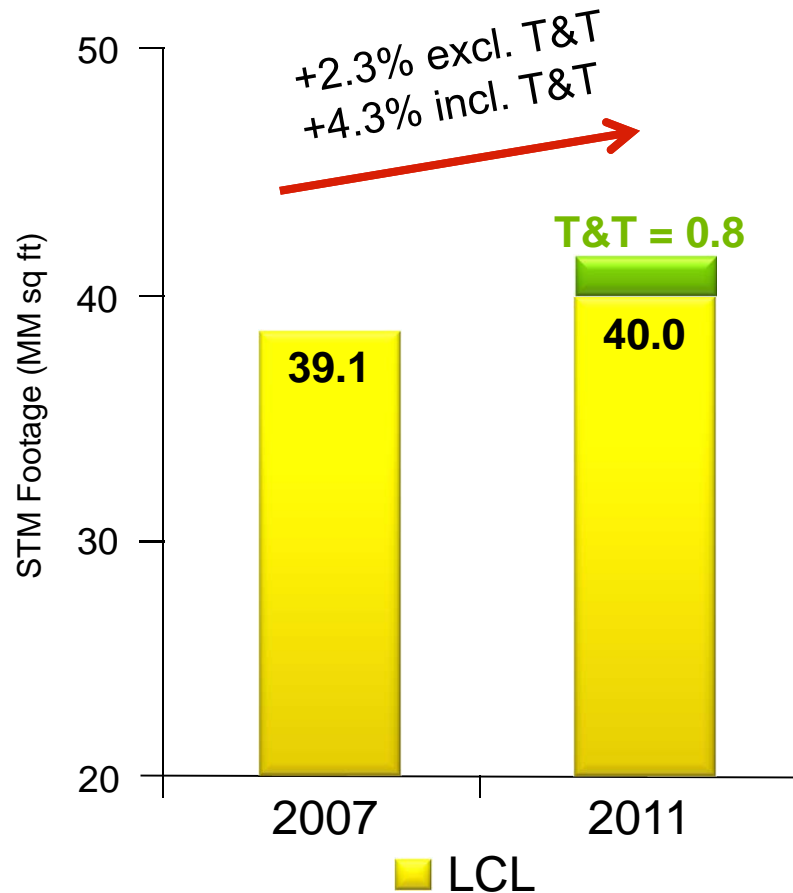
Sales growth has been positive but has been inconsistent



* Adjusted for the 53rd selling week in 2008

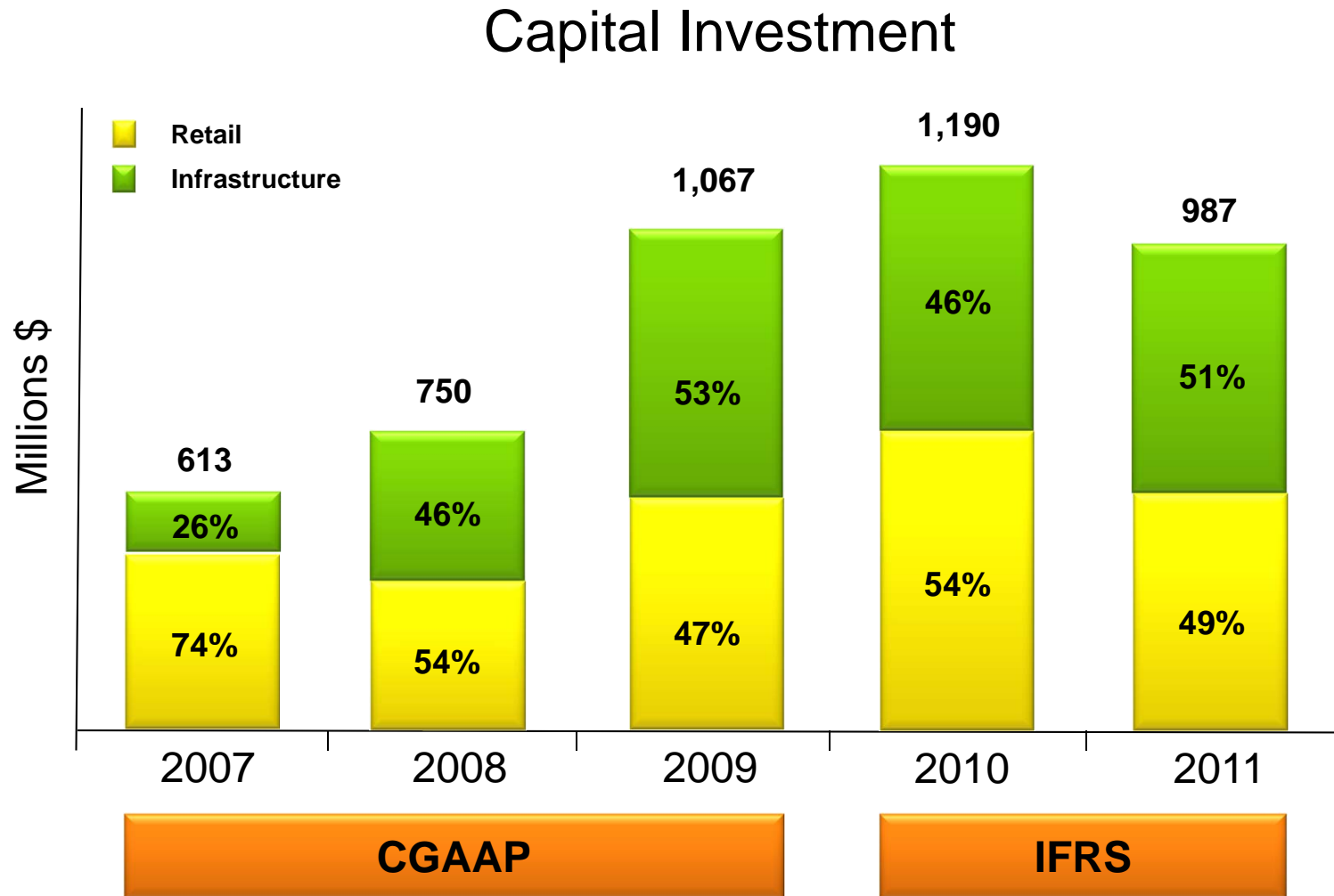
STM footage growth has not kept pace with the market

Supermarket type merchandise footage change between 2007 and 2011

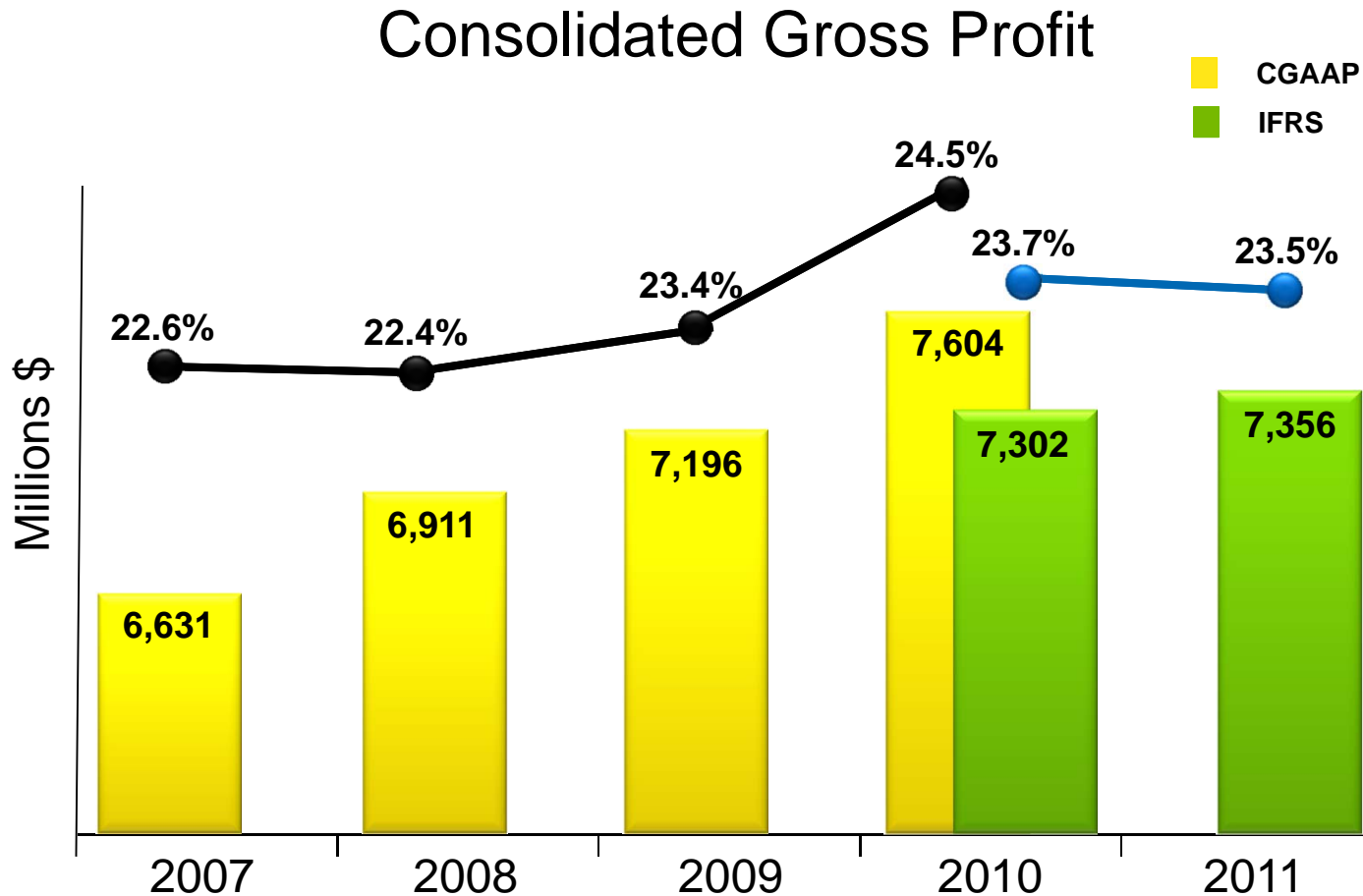


- LCL footage includes affiliates
- LCL footage includes the acquisition of T&T Supermarkets in 2009

Capital investment balanced between retail and systems

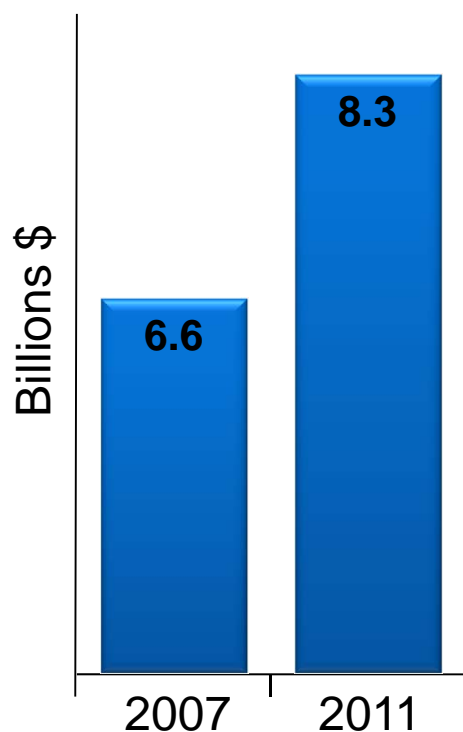


Gross profit has grown consistently with significant improvement in margins

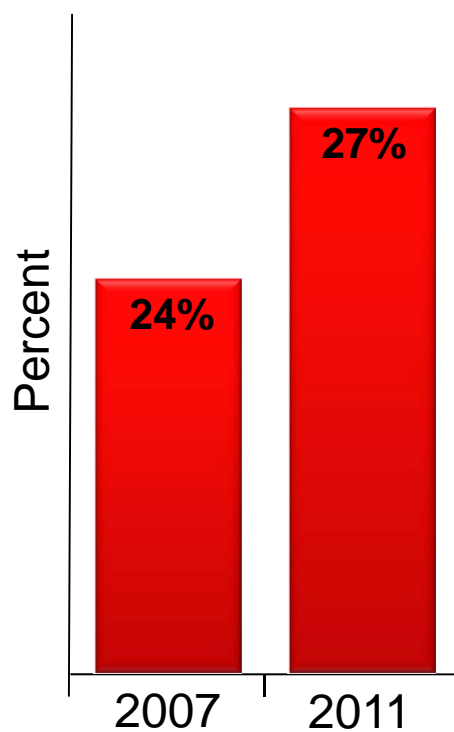


Driven by profitability improvements in control brands

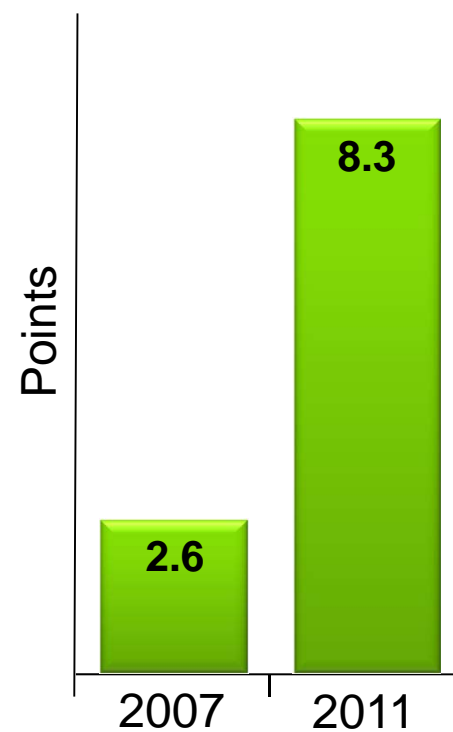
Control Brand
Sales



Control Brand
Penetration

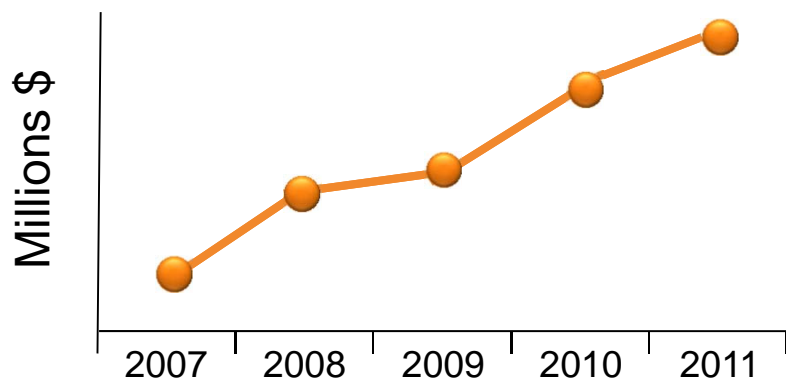


Margin Gap vs.
National Brand

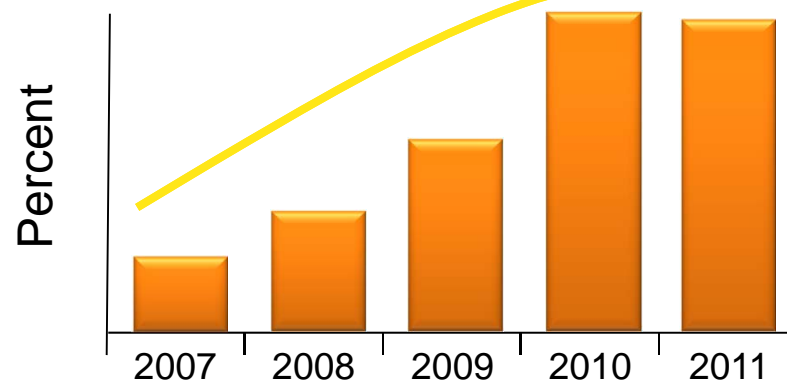


Profitability improvements in general merchandise and apparel

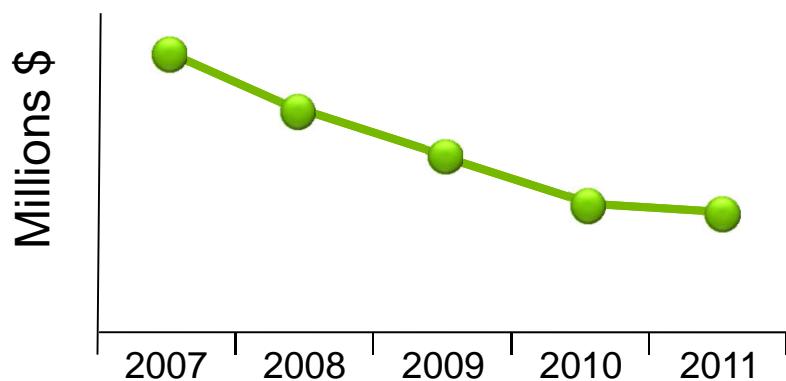
Apparel Sales



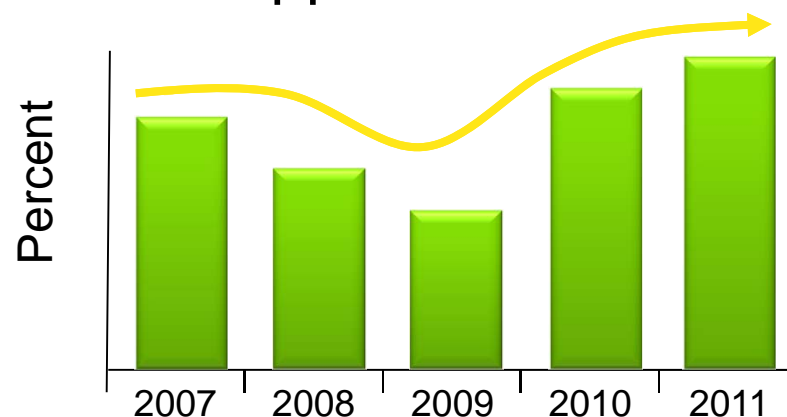
Apparel Contribution



GM Sales x-Apparel

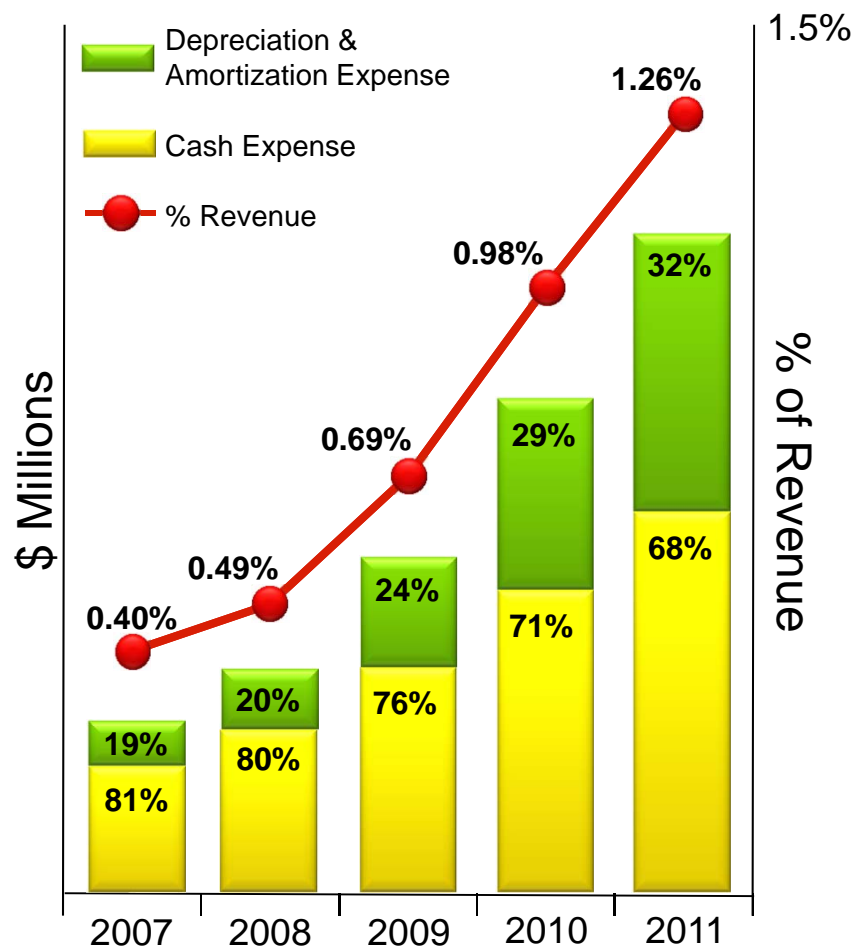


GM x-Apparel Contribution

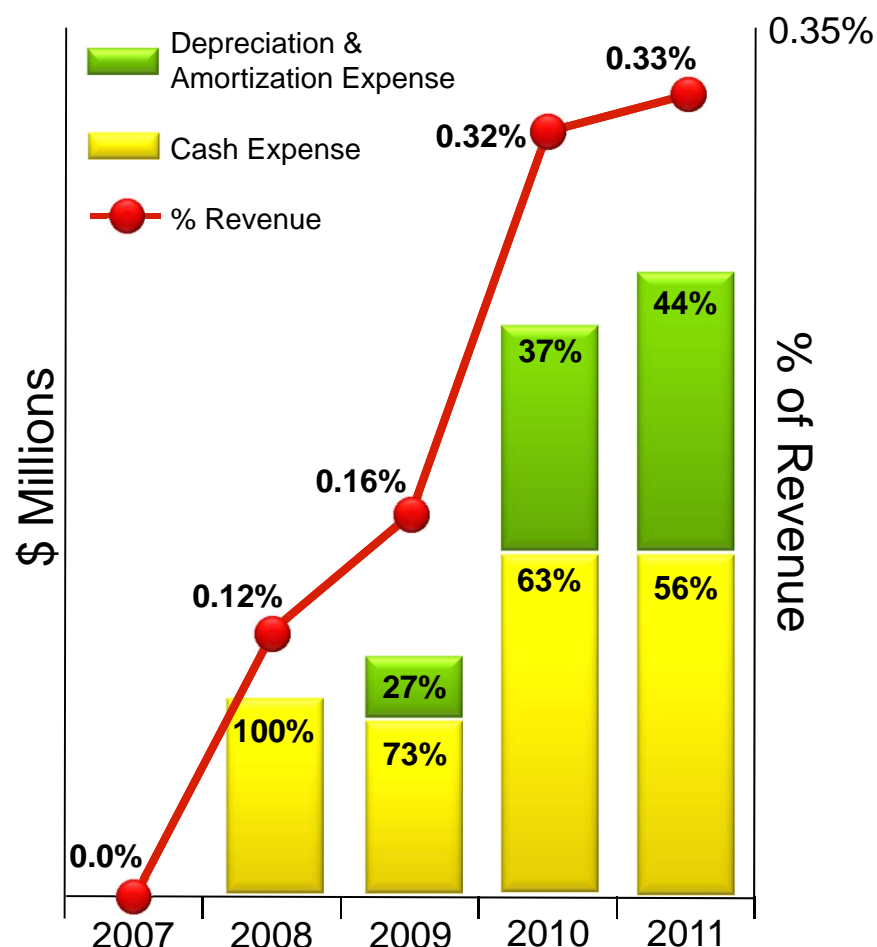


Heavy spending in IT and supply chain project costs

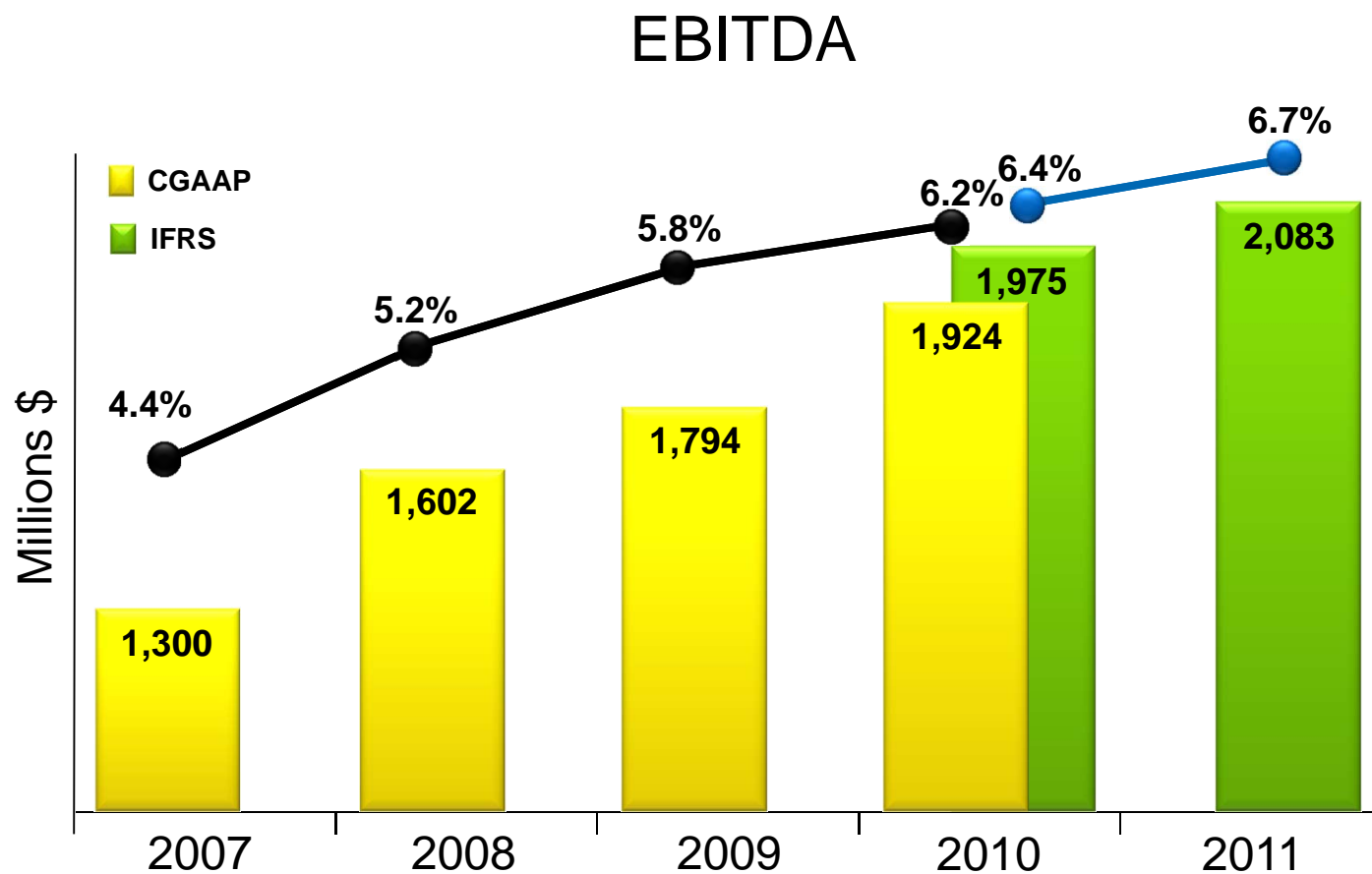
IT Expense



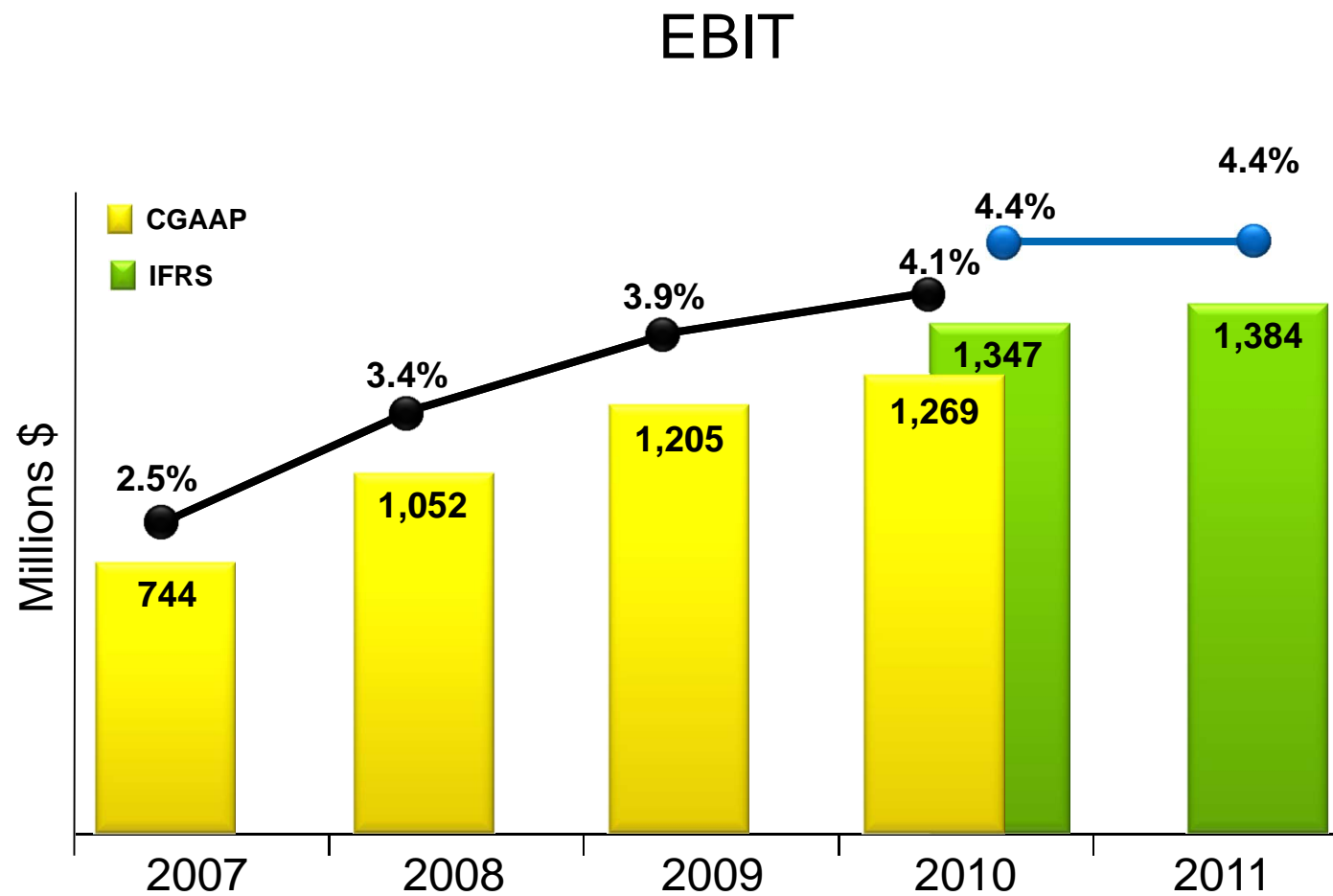
Supply Chain Project Cost



Gross profit expansion covered incremental spending and contributed to EBITDA growth

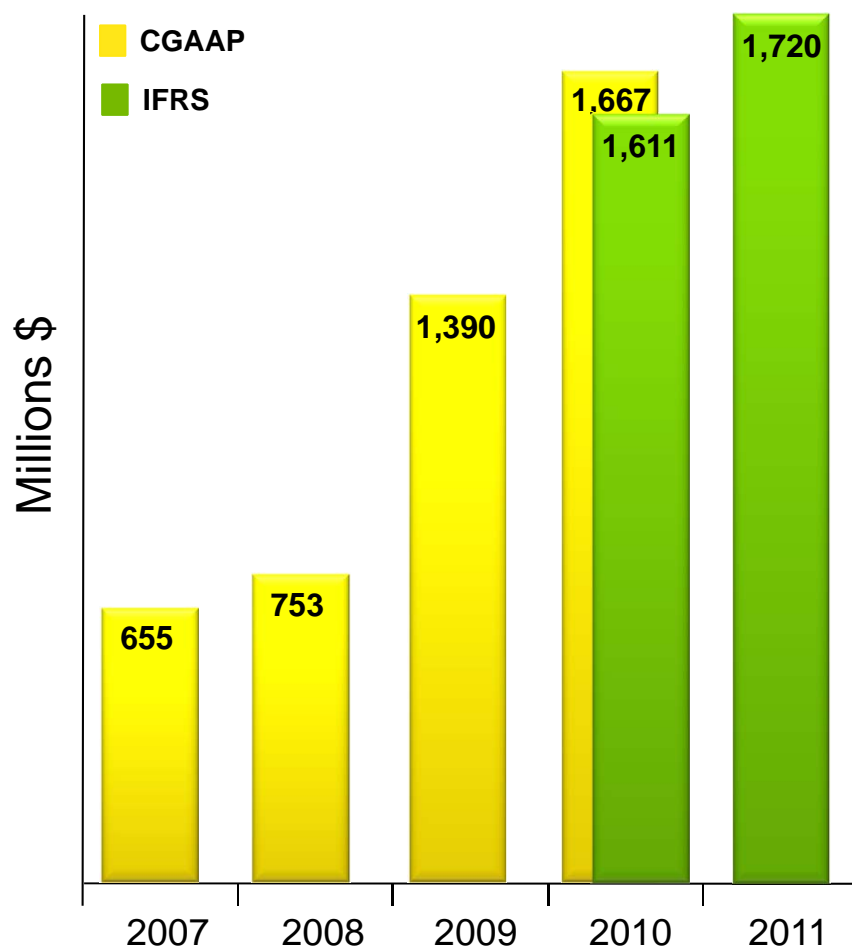


And similarly EBIT growth

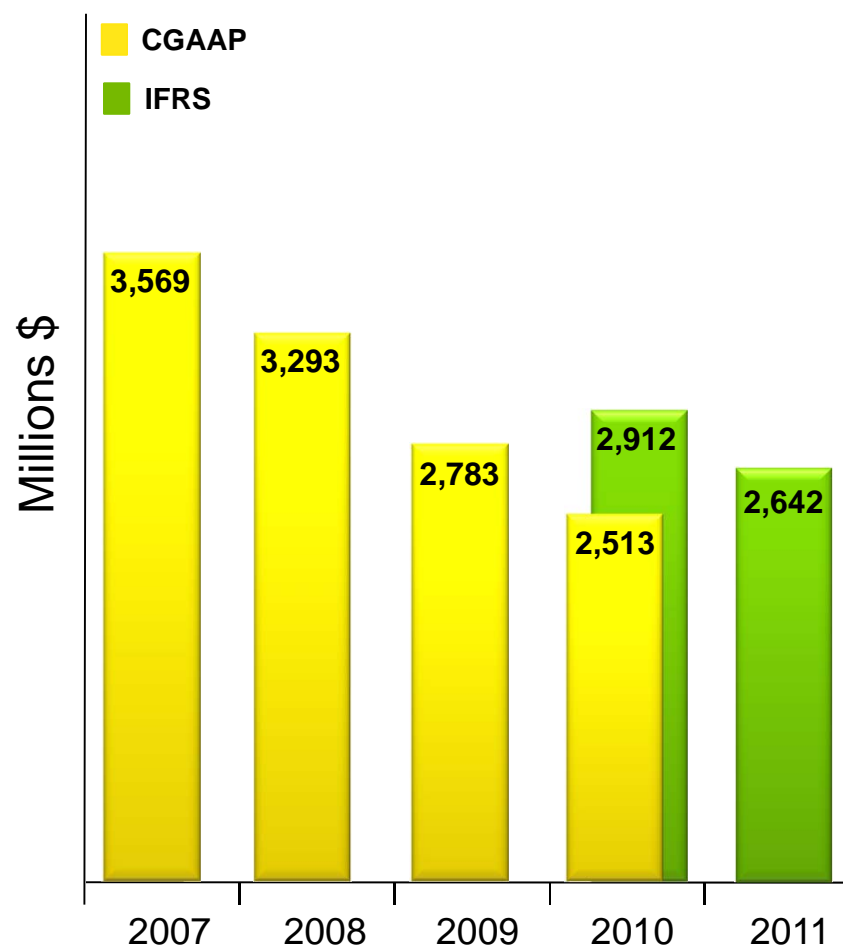


Growing cash position while reducing debt – a strong balance sheet

Cash and Short Term Investments

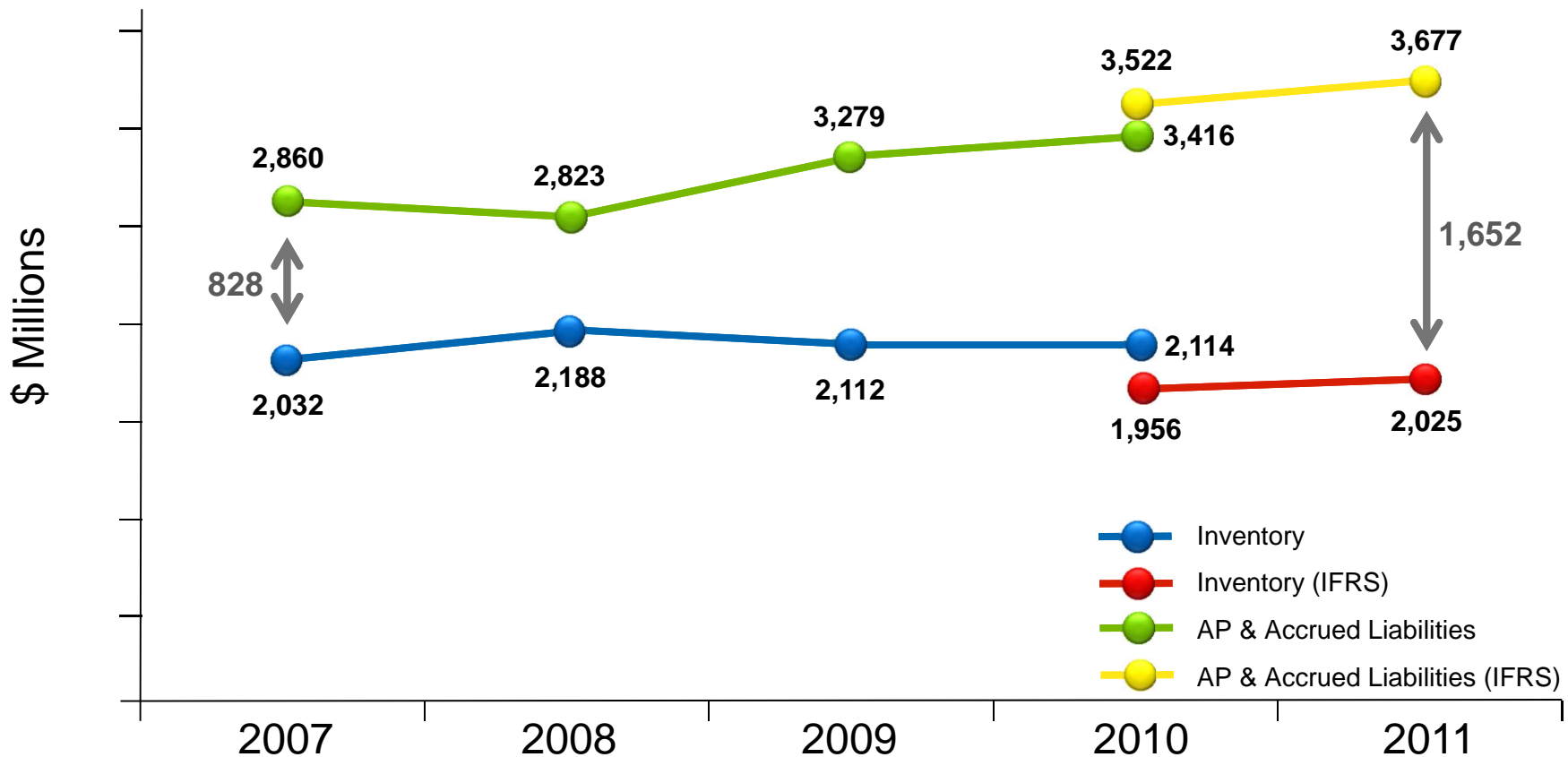


Adjusted Net Debt



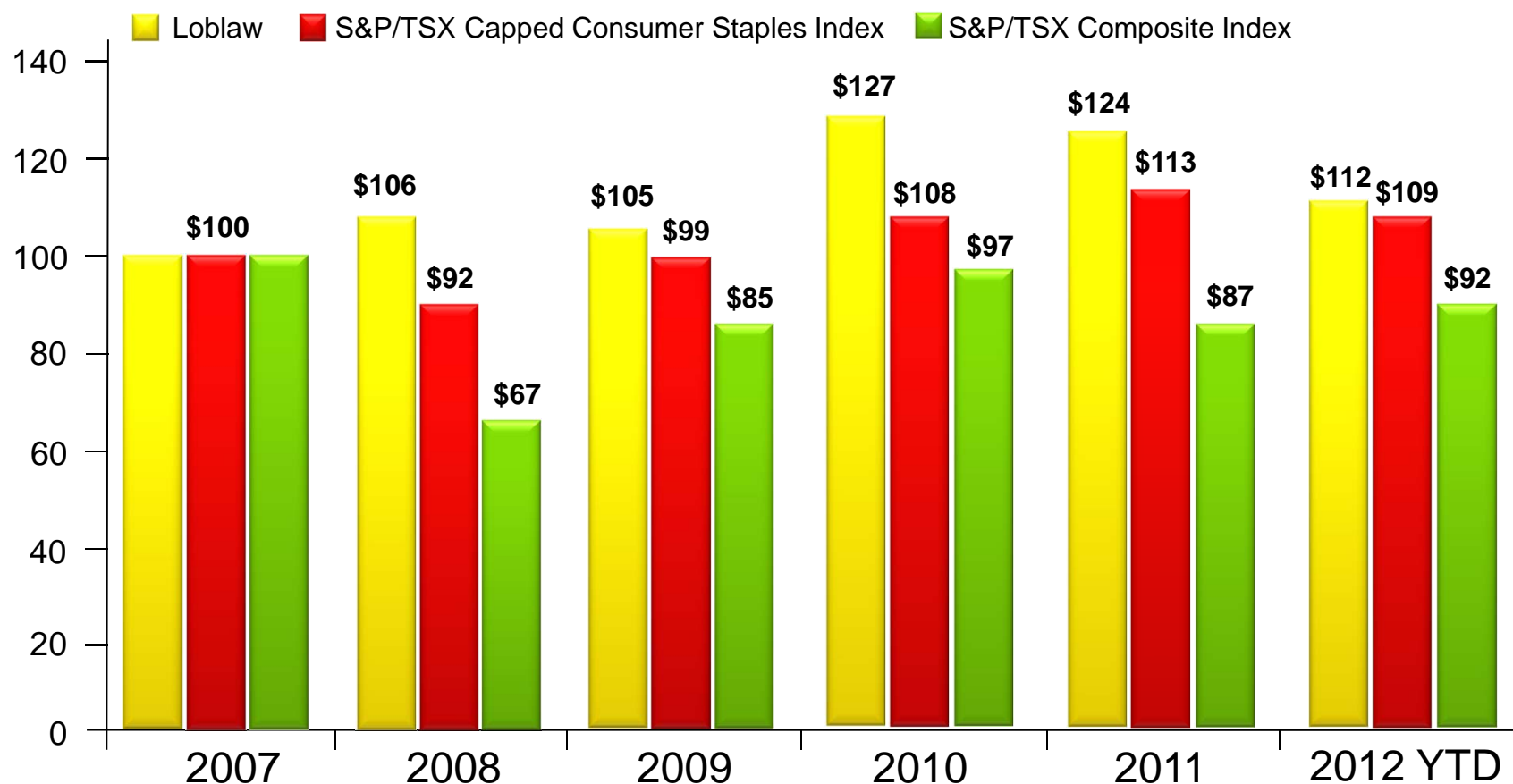
Driven by improved working capital with more efficient assets and management of liabilities

Inventory vs. AP & Accrued Liabilities



Loblaw total return – outperforming both S&P/TSX Composite and S&P/TSX Consumer Staples, but underperforming compared to peers

\$100 Invested on Dec. 28, 2007



Return assumes Loblaw dividends reinvested quarterly

What to expect in 2012

- Capex of \$1.1 billion
 - 60% Retail
 - 40% IT and supply chain
- Net new square footage: ↑ 500,000
- Labour agreement cost: \$30 - \$40 million
- Information technology: ↑ \$90 million to 1.5% of revenue
- Supply chain project cost: ↓ \$20 million to 0.3% of revenue
- Investment in customer proposition: \$40 million
- Potential for additional cost if go-lives don't go as planned
- 2012 EPS: ↓YOY, with more pressure in H1

Looking Forward



Well Positioned for the Future

- Strong EBITDA margin
- Solid balance sheet
- Cash generation
- Great asset portfolio
- 2012 is a pivotal year
- Setting the stage for 2013 and beyond
 - Positive SSS
 - IT/SC costs decrease
 - Capital expenditures will start to decline
 - Benefits start to materialize in 2014
 - Growth in EBIT, EBITDA and increase in free cash flow

Loblaw

Vicente Trius

President



Loblaws

Thank You

Company reports are
available online at
www.loblaw.ca

For any investor
inquiries, please e-mail
investor@loblaw.ca

