LOBLAW COMPANIES LIMITED

Annual Report 1990

Loblaw Companies Limited is Canada's largest food distributor. In 1990, 63.2% of its sales were at the retail level through its own stores and the remainder were as a wholesaler to franchised independent and independent accounts. The Company is geographically diverse, with operations in all the Canadian provinces as well as in the St. Louis and New Orleans areas of the United States. In 1990, 84% of sales were in Canada.

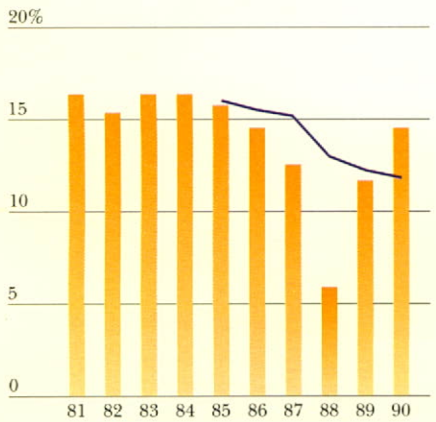
77% of the common shares of Loblaw Companies Limited are owned by George Weston Limited. The remaining 23% or 16,900,331 shares are actively traded on the Toronto, Montreal and Vancouver stock exchanges.

Contents

	1990	1989	1988
OPERATING RESULTS *($ millions)*			
Sales	8,417	7,934	8,308
Trading profit*	320	291	258
Operating income	215	191	160
Earnings before income taxes	150	111	65
Earnings before extraordinary items	96	70	41
Net earnings	96	70	26
FINANCIAL POSITION *($ millions)*			
Total debt	473	549	623
Total shareholders' equity	812	746	651
Total assets	2,102	2,040	2,004
CHANGES IN FINANCIAL POSITION *($ millions)*			
Cash flow from operations	252	259	158
Purchase of fixed assets	171	166	192
PER COMMON SHARE *(dollars)*			
Earnings before extraordinary items	1.10	.80	.41
Net earnings	1.10	.80	.21
Cash flow	3.48	3.59	2.19
Book value	7.99	7.10	6.62
Actual dividends paid	.20	.20	.20
Year end dividend rate	.20	.20	.20
Price range — high	18 ⅞	15 ¼	13 ⅛
— low	13 ⅝	10 ¼	9 ⅞
FINANCIAL RATIOS			
Return on common equity	14.6%	11.7%	5.9%
Return on capital employed	15.8%	13.8%	11.2%
Pretax return on sales	1.8%	1.4%	.8%
Working capital ratio	1.07:1	1.05:1	1.12:1
Total debt to equity	.58:1	.74:1	.96:1

* Trading profit is defined as operating income before depreciation.

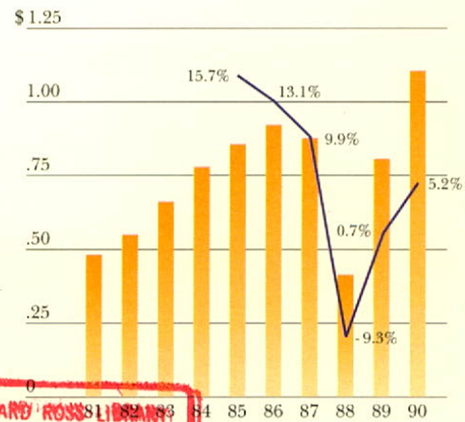
RETURN ON COMMON EQUITY



Return on Common Equity
Five Year Average Return

Corporate Objective: To provide an average return on common shareholders' equity of 15 percent per year over any five year period.

EARNINGS BEFORE EXTRAORDINARY ITEMS PER SHARE
(in dollars)



Earnings Before Extraordinary Items per Share
Five Year Compound Growth Rate

Corporate Objective: To increase earnings per common share at an average rate of 15 percent per year over any five year period.

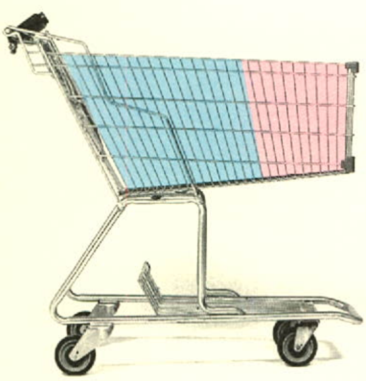
TEN YEAR ANALYSIS BY OPERATING REGION

SALES *($ billions)*	*1990*	*1989*	*1988*	*1987*	*1986*	*1985*	*1984*	*1983*	*1982*	*1981*
Eastern Canada	4.22	3.99	3.71	3.60	3.07	2.78	2.69	2.54	2.41	2.25
Western Canada	2.89	2.65	2.34	2.09	2.03	1.89	1.70	1.58	1.71	1.60
United States	1.31	1.29	2.26	2.94	2.74	2.26	2.03	1.97	2.10	1.95
Total	8.42	7.93	8.31	8.63	7.84	6.93	6.42	6.09	6.22	5.80

OPERATING INCOME *($ millions)*										
Eastern Canada	104	90	76	106	74	72	68	61	54	50
Western Canada	75	67	56	47	56	45	37	35	31	34
United States	36	34	28	37	33	35	33	32	30	29
Total	215	191	160	190	163	152	138	128	115	113

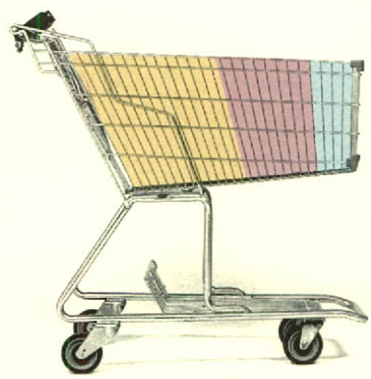
QUARTERLY EARNINGS PER SHARE *(dollars)*										
First quarter	.17	.14	.13	.15	.14	.13	.11	.10	.09	.07
Second quarter	.27	.18	.17	.24	.23	.20	.18	.14	.12	.11
Third quarter	.32	.22	.13	.25	.27	.26	.24	.20	.16	.15
Fourth quarter	.34	.26	(.02)	.23	.27	.26	.24	.22	.17	.16
Total earnings before extraordinary items	1.10	.80	.41	.87	.91	.85	.77	.66	.54	.49

TOTAL SALES
($ billions)



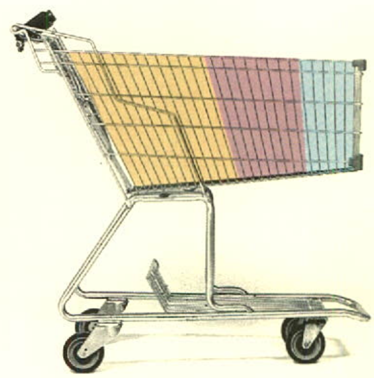
$ 5.32 Retail Operations
$ 3.10 Wholesale Operations
$ 8.42 Total

REGIONAL SALES
($ billions)



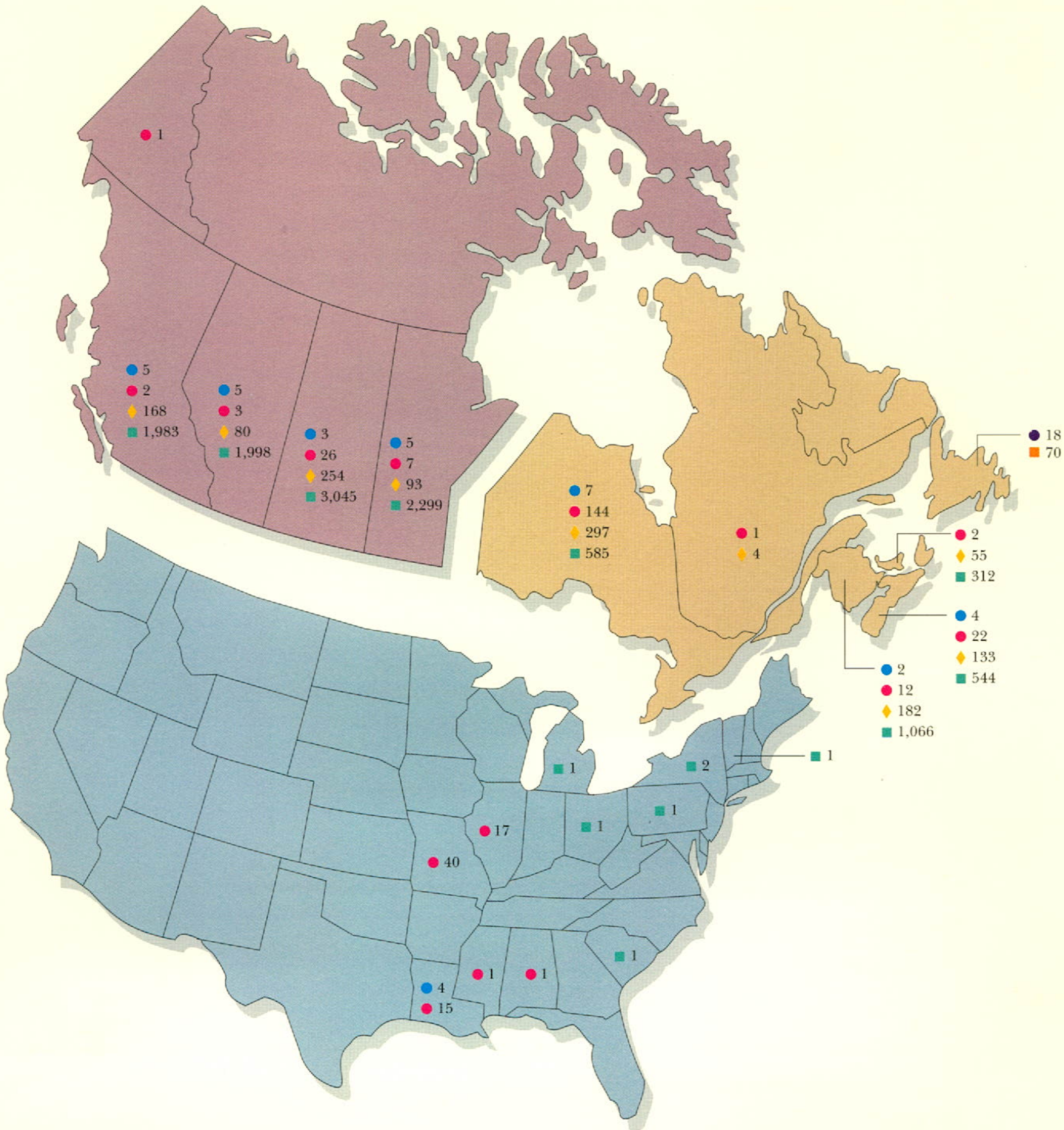
$ 4.22 Eastern Canada
$ 2.89 Western Canada
$ 1.31 United States
$ 8.42 Total

REGIONAL OPERATING INCOME
($ millions)



$ 104 Eastern Canada
$ 75 Western Canada
$ 36 United States
$ 215 Total

Retail and Wholesale Operations



Eastern Canada | Western Canada | United States

Retail
- Combination Stores
- Conventional Stores

Wholesale
- Franchised Independent Stores
- Independent Accounts

The Company participates in a joint venture in Newfoundland. The joint venture has:

- Conventional Stores
- Independent Accounts

Loblaw Companies has begun to assert its position as Canada's largest and most profitable food distributor. Earnings of almost $100 million, the highest in our history, and a return on equity of 14.6 percent were achieved in the past year. Sales overall increased 6.1 percent and in Canada sales grew over a two year period by more than $1 billion. This highly positive growth rate was achieved without the aid of a costly acquisition and during this period balance sheet ratios improved substantially.

With its strong store profile, improved information and management control systems and uniquely positioned corporate brands, Loblaw Companies should be able to look forward to further improved earnings in the current year. The poor economic climate and the low level of consumer confidence will, however, temper near-term growth rates.

For the longer term, our management team has never been stronger nor has it ever worked better together. I am therefore firmly convinced that our Company has a great future. My thanks to our customers, employees and shareholders for their continued support.

W. Galen Weston

W. Galen Weston
Chairman of the Board

Loblaw Companies Limited materially improved its results and strengths in all its regions in 1990. Net earnings were $96.0 million or $1.10 per common share, a new high, and return on common shareholders' equity was 14.6 percent, which compares to our goal of 15 percent.

The results of the last two years demonstrate the effects of the capital investment and acquisition program of the mid to late 1980's and the change in the asset base of the Company. From 1988 to 1990, Canadian sales increased by over $1 billion, while the total Company's sales increased by just over $100 million or about 1 percent. Trading profit (operating income before depreciation) has increased by $62 million, from $258 million to $320 million, as investments matured and management efforts were concentrated in more productive regions. The strategic investment (and divestment) program has also resulted in trading profits being more effectively converted to earnings before income taxes as over the past two years earnings before taxes (and before the unusual item in 1988) have increased by a similar amount, $64 million. The resulting cash flows of $3.59 per share in 1989 and $3.48 per share in 1990 have provided your Company with sources of merchandising strength as these cash flows are now far in excess of the current capital investment needs of the business.

As noted, last year's results improved in all regions. In Eastern Canada, the store acquisition program and the downsizing of SuperCentres has allowed Loblaws Supermarkets, Zehrmart and Fortino's to provide more variety and selection for their customers in ultimately more efficient facilities. At the same time, National Grocers has acquired and built new stores for its franchised independent program while eliminating unproductive distribution accounts and facilities. Our total supply to franchised independents throughout Ontario increased 20 percent last year and the success of the Real Atlantic Superstores has substantially improved Atlantic Wholesalers' retail skills, which can benefit its franchised independents.

In Western Canada, the opening of seven Real Canadian Superstores, each of about 140,000 sq. ft., two in Calgary and five in Vancouver, from November, 1988 to November, 1990, with attendant support facilities, completes the first phase of the Western Superstore program begun in 1979. While new stores will continue to be added in these markets and in other markets previously entered, the concentration now will be in smaller growth areas with this proven format. Although Superstores have received more public attention, half the business in Western Canada is related to other activities, mainly franchised independents, where increased merchandising and productivity activities will take place.

In the United States, the acquisition of December, 1986 in St. Louis, which increased the size of that business by 50 percent, and the Superstore activity of 1984 to 1988 in Louisiana, were successfully absorbed by 1990 and National Tea had its best year to date. Three new stores are planned for 1991 which should provide even better application of buying and cost management methods which have proved so effective in achieving the improved performance.

In spite of the achievement of the past few years and the strength of your Company today, the outlook for 1991 is far from certain. The grim forecasts for employment and consumer spending over the next year are probably correct. Over the past number of years Canada's economy has been weakened to the point where the confidence of its people, which reflects on consumer spending, is at an all time low.

Nevertheless, your Company should fare reasonably well. Tonnage growth remains good and even though this will attract costs which cannot always be recovered in sales dollars, our controlled label mix will be helpful in maintaining margins. In addition, many of the new stores have not yet developed their full sales and earnings capacity. The increased realization of this potential should allow improved earnings performance in 1991. It will not be easy, but management is clearly focussed on delivering excellence to customers and shareholders, and it understands fully that excellence takes the form of *measurable* results.

Richard J. Currie

Richard J. Currie
President

During the five year period ending in 1988, your Company invested over a billion dollars in new fixed assets, principally stores, and spent a further amount of almost $200 million in several focused acquisitions. This rapid growth stretched the fabric of the business. The debt: equity ratio climbed to a maximum of almost 1:1 in 1987 and interest coverage fell to 2.16 times in 1988. Earnings growth slowed and then earnings actually declined in 1988 as the business was rationalized in New Orleans and the combination stores in Eastern Canada were repositioned. In spite of financial and operating pressure, the business made major entries into the Calgary and Vancouver markets beginning in late 1988 and continuing through 1989 and into 1990. However, also during 1989 and 1990, much management effort has been on improving productivity and controlling costs throughout the strong new asset base which has been built. In retrospect it would appear that both the major capital expansion and subsequent efforts to ensure productivity have been well timed to give the Company depth and stability in the current recessionary period.

Good food is one of the great pleasures of life. Quality, variety and a continuing presentation of unique corporate brand products give our customers the opportunity to eat better than the royalty of previous generations.


milk
pears
garlic
stilton
grapes
sausages
olives
tomatoes
chicken
fish


care
toothpaste fluoride form

In 1990, operating income reached a record high of $215 million. Operating income has increased from 2.2 percent of sales in 1987 to 2.5 percent of sales in 1990. This improvement in operating income, which is due to the increasing profitability of the new stores as they begin to mature as well as to cost containment activities, is producing strong cash flows. Thus, in a period when many businesses are struggling with over-leveraged balance sheets, your Company's interest expense is declining (by $15.5 million in 1990); its debt: equity ratio is improving (to .58:1); and its interest coverage is up (to 3.35 times).

With a period of major strategic investment behind it, your Company enters the future with a very powerful asset base, both in stores and in distribution support, the full potential of which has not yet been realized. While continuing to reinvest at a level considered adequate to maintain its momentum in business growth, management has been focusing for the past two years on improving productivity from its existing assets.

Increasingly our stores are providing an alternative to the drug store for health and beauty care needs. Sharply priced, high quality Kare products have been a successful corporate brand in the United States.

Many new stores have been built in recent years and there are many opportunities to improve sales, to improve mix and to reduce costs to make these assets even more productive. Other areas of the balance sheet present other opportunities to control investment levels and thereby improve returns. One area is the investment in inventory and receivables, net of payables and accrued liabilities, which continues to decline as a percentage of sales. Total assets employed in the business have increased only slightly for the past three years and capital employed has declined over the same period. A ratio which effectively expresses much of the progress which has been made in terms of overall improvement in productivity is return on capital employed, which has increased from 11.2 percent in 1988 to 15.8 percent in 1990.

The needs of modern consumers are changing. With G•R•E•E•N™ products which provide superior nutritional value and with time-saving meal alternatives, we are striving to meet some of these needs.


TENNIS @
6:30
HULLESS


OshKosh
OSHKOSH B'GOSH
A HAPPY
BIRTHDAY!
Love
Grandma +
Grandpa
XXOO

Real estate continues to be a source of strength not readily apparent on the balance sheet. Management estimates a current excess of market value over book value of approximately $200 million.

Eastern Canadian Operations

In 1990 Loblaws Supermarkets opened six new stores representing 230,000 sq. ft. Four of these stores were in the greater Metro Toronto area, one was in Ottawa and one was a new market entry in Gatineau, Quebec. Zehrmart opened two new stores for a total of 92,000 sq. ft. No new corporate stores were opened by Atlantic Wholesalers. However, as a result of aggressive franchising in Ontario under the Fortino's and no frills banners as well as some corporate store closures, total corporate store square footage in Eastern Canada actually declined slightly during the year. The total number of franchise stores operating under these names in Ontario grew from 28 stores at the end of last year to 39 at the end of the current year. A balance of good store format alternatives in both corporate and franchise programs continues to be a strength of the business in Eastern Canada.

Quality children's clothing and toys are typical of the expanded range of 'consumable-durable' products which attract many customers to our large format Superstores.

In Ontario, improved warehouse productivity and reduced inventory losses resulted in distribution expenses declining relative to sales. In the Maritimes, work was done towards achieving greater distribution efficiency as a 45,000 sq. ft. dry grocery and produce facility in Bathurst, New Brunswick was closed and produce and dairy warehousing for all of New Brunswick was centralized in a newly acquired 44,000 sq. ft. facility in Moncton. Both these changes were made late in 1990 so the benefits will not be realized until 1991.

Western Canadian Operations

Western Canadian Operations continued the momentum of earnings growth which has not slowed despite opening seven new Real Canadian Superstores in Calgary and the greater Vancouver area since November, 1988. The last two of these were 140,000 sq. ft. stores opened in Vancouver and Surrey, British Columbia this year. With the majority of these stores having had time to become established and with profit levels developing, the most risky stage of Western growth has now passed.

Many of our stores feature in-store bakeries. In St. Louis, these are supplemented by the products of our own dedicated bakery. These facilities bring old fashioned quality and freshness to life in a modern supermarket environment.


1991 PLANTING AND GARDEN
Jan.
Feb.


THE YEAR
IN THE GARDEN

Opportunities remain to introduce a smaller version of the Real Canadian Superstore to some smaller urban markets in Western Canada.

The wholesale distribution business was the core of the Western Canadian Operation, around which the Superstore business has been built, and it still accounts for half the sales in Western Canada. As the Superstore program enters another phase, attention is being refocused on the wholesale business. During the year 23 new franchised independent stores were added, built or remodelled while late in 1990, small distribution facilities were closed in Prince Rupert, British Columbia and Brandon, Manitoba and supply was discontinued to some marginally profitable wholesale customers.

United States' Operations

One new corporate store was opened in the United States during the year, with $5 million spent on remodelling activity. The United States business is benefitting from the major store investment and acquisition made a few years ago and has been concentrating on improving its cost and merchandising effectiveness.

The success of seasonal garden departments led to the Garden Market store format which has been successful in selected markets. Once again, corporate brands bring special value to our customers in an expanded shopping experience.

In New Orleans and elsewhere in Louisiana, the core of corporate stores that remain in the business after the restructuring which took place in 1988 increased in profitability. One new Superstore is planned to open in New Orleans in 1991.

In St. Louis, although profit levels increased in 1990, actual tonnage moved was approximately the same as the previous year. At the same time, competitive square footage in this market has increased, resulting in some decline in National's overall market share. National is still the second largest retailer in this market and is committed to maintaining a strong competitive position. Two new stores are planned in 1991.

Foods of other lands inspire many unique President's Choice™ products, like the popular Szechwan Peanut Sauce Dressing. And our stores have become more cosmopolitan, serving an increasingly diverse consumer population.


城晚报
WANBAO

1990 was a year of steady improvement in operating performance, similar in this respect to the preceding year. Control of assets employed and of interest expense amplified this solid growth in operating income to produce a good increase in bottom line results. Return on common shareholders' equity was 14.6 percent for the year as compared to 11.7 percent in 1989.

RESULTS OF OPERATIONS

(in millions)

		Sales			Operating
		Retail	Wholesale	Total	Income
Eastern	1989	$2,570	$1,418	$3,988	$ 90
Canada	1990	$2,597	$1,615	$4,212	$104
Western	1989	$1,197	$1,453	$2,650	$ 67
Canada	1990	$1,446	$1,446	$2,892	$ 75
United	1989	$1,258	$ 38	$1,296	$ 34
States	1990	$1,277	$ 36	$1,313	$ 36
Total	1989	$5,025	$2,909	$7,934	$191
	1990	$5,320	$3,097	$8,417	$215

(Note: For an understanding of the geographic areas covered by Eastern Canadian Operations, Western Canadian Operations and United States' Operations, please refer to the map on page 3.)

Sales increased by 6.1 percent in 1990 which compares to a 9.2 percent increase in the previous year, after the 1989 increase is adjusted for the effects of the divested operations in New Orleans and exchange rate fluctuations.

In Eastern Canada, sales increased by 5.6 percent in 1990 and 7.6 percent in 1989. In this segment of the business, retail sales grew by 1.1 percent in 1990 and 5.7 percent in 1989. New corporate stores have been added in both years. In 1990, 324,000 sq. ft. of new retail stores were added to the business, in addition to expansions of existing stores. However total retail footage declined by 2.5 percent during the year as a result primarily of franchising as well as some downsizing and store closures. During 1989 corporate retail footage increased by 2.0 percent and increases in sales per foot were slightly ahead of inflation, reflecting an asset base which is improving in terms of sales generating capacity. In 1990 increases in sales per foot were slightly below inflation, reflecting the impact of the weakened economy in the region. Wholesale sales in Eastern Canada increased by 13.9 percent in 1990 and 11.2 percent in 1989. The number of sq. ft. in stores operated by franchisees grew by 3.7 percent in 1990 and 2.8 percent in 1989. Growth in franchise business was a major contributor to overall wholesale volume increases and a substantial portion of this growth was as a result of the conversion of Fortino's and no frills corporate stores to franchise stores.

In Western Canada, sales increased in 1990 by 9.1 percent compared to a 13.2 percent increase in 1989. In this segment of the business, retail sales grew by 20.8 percent in 1990 and 21.9 percent in 1989. Seven new Real Canadian Superstores opened since the fall of 1988 account for three quarters of the retail sales growth in 1989 and almost 90 percent of it in 1990. Wholesale sales declined by 0.5 percent in 1990 after increasing by 7.0 percent in 1989. During the year the supply to several major customers which were providing an inadequate return was discontinued.

In Canada, food inflation (for "food purchased at stores") was 4.2 percent in 1990 and 2.3 percent in 1989. Generally, gross margins have not been increasing and it is reasonable to attribute the balance of the sales increases in Eastern and Western Canada to tonnage growth.

In the United States, sales adjusted for divested operations increased by 1.3 percent in 1990 and 6.3 percent in 1989. General food price inflation, as measured by the "food-at-home" component of the U.S. Consumer Price Index was 6.6 percent in 1990 and 6.5 percent in 1989. However in 1990 this index was not representative of National Tea. Actual tonnage increased about 1.0 percent indicating that there was very little impact of inflation on sales in 1990.

In 1991, the accounting for the Canadian goods and services tax will reduce reported sales by 1-2 percent, but is not expected to have a material impact on operating income.

Operating income in 1990 increased by 12.6 percent to $214.5 million from $190.5 million in the previous year. The previous year's increase was 18.9 percent.

In Eastern Canada, operating income increased by 15.6 percent after increasing by 18.4 percent in 1989. Management is pleased that the business is achieving this income leverage off sales improvements and also finds the year over year improvement significant. The 1989 result was achieved in part through gross margin increases.

In 1990 gross margins have declined slightly as a percent of sales and improvements in operating profits are attributable to cost reductions in various areas, most notably administration, distribution and advertising expense. The rate of growth in operating income is expected to be more modest in 1991 but is still expected to exceed the rate of growth in sales.

In Western Canada operating income increased by 11.9 percent in 1990 compared with a 19.6 percent improvement in 1989. In both years the major factor in operating income growth was the new Real Canadian Superstore volume. In 1990 expense ratios declined as these stores matured and there were fewer new store openings. Wholesale profits declined in 1990 largely as a result of decreasing volume. Operating income is expected to continue to grow in Western Canada next year at a similar rate.

Operating income in the United States improved from $34 million in 1989 to $36 million in 1990. This 5.9 percent improvement in 1990 compares to a 54.5 percent improvement in operating income from continuing operations in the previous year. The improvement in both years is largely attributable to improved gross margins as new and acquired stores mature. Operating income is expected to grow in the United States at between 5 and 10 percent next year.

Income from the sale of capital assets was $5.2 million less in 1990 than in 1989. Inflation was not considered to be a significant factor in operating income increases in either year.

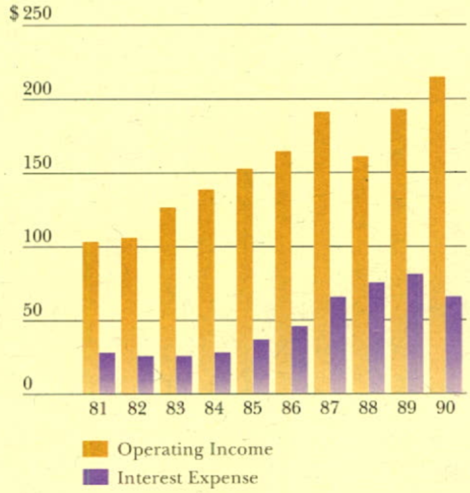
Interest expense decreased $15.5 million from $79.6 million in 1989 to $64.1 million in 1990. Lower average debt levels accounted for approximately half of this reduction in interest expense. Lower effective interest rates achieved through interest rate management, more than offset the impact of higher short term market interest rates in 1990 and accounted for the balance of the decrease in interest expense. Positive cash flow in 1991 should result in further interest reductions next year.

Earnings before income taxes increased from $110.9 million last year to $150.4 million in the current year, giving a year over year increase of 35.6 percent. This compares to an increase of 29.0 percent in the previous year if the effect of the unusual charge against income is excluded from the 1988 results.

The *effective income tax rate* for the year increased from 34.7 percent last year to 36.2 percent this year. This trend of rate increase is expected to continue as the proportion of earnings subject to higher Canadian tax rates rises.

Earnings before extraordinary items was $96.0 million in 1990 versus $70.2 million in 1989 and *earnings per share* rose from $.80 to $1.10.

Operating Income and Interest Expense
(in millions)



FINANCIAL CONDITION

The financial condition of the business is being impacted by two major trends. First, capital spending has declined following the growth of the mid to late 1980's. Second, and partially related to the first, the current focus of the business is on improving asset effectiveness.

Considering the first trend, expenditures on fixed assets were $171.2 million in 1990 and $165.7 million in 1989 after averaging $215 million in the five preceeding years.

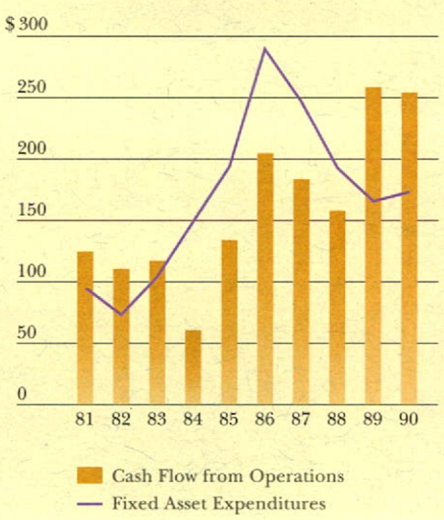
Considering the second trend, it often takes a period of months or years for a new store to reach its maximum contribution level. Therefore as the percentage of very new assets declines, the business is generating more profits and cash related to its maturing asset base. *Cash flow from operations* was $252.4 million in 1990 and $259.3 million in 1989, beginning to exceed fixed asset expenditures by substantial amounts.

Considering further the second trend of improving asset effectiveness, an important aspect of generating strong cash flow from operations is management of working capital. The Company attempts to maintain its net investment in the non-cash elements of working capital (the principal components of which are accounts receivable, inventories, accounts payable and accrued liabilities) at the minimum necessary for effective operation. For 1989 the average ratio of these elements of non-cash working capital to sales was 0.6 percent. In 1990 this ratio declined to 0.5 percent, reflecting continued efforts to control this investment. In 1990 *cash provided from working capital* was $50.7 million, representing the third consecutive year in which this has been a source rather than a use of cash. Continuing efforts to improve the ratio of this investment to sales should result in working capital being either a source or a minimal use of cash next year.

The above factors combined to produce a net positive *cash flow before financing and dividends* of $109.1 million in 1990 and $31.7 million in 1989. (It should be noted when comparing these numbers that in 1989, $76.8 million was invested in the acquisition of the minority interest in Kelly, Douglas & Company, Limited.)

At year end, *cash* (cash and short term investments net of bank advances and notes payable) was $31.2 million, a $15.0 million increase from last year. Short term *liquidity* requirements are met during the year through a $500 million commercial paper program. The Company's short term commercial paper is rated R-1 low/A-1. Financial instruments are used to manage the interest rate on the underlying commercial paper borrowings. At year end 1990, approximately $45 million of 1991 short term borrowing requirements had been fixed at the rate of 10.8 percent.

CASH FLOW FROM OPERATIONS AND FIXED ASSET EXPENDITURES
(in millions)



Total debt declined by $76.0 million in 1990. Of this, $56.2 million was a decrease in *long term debt* (excluding capital leases) and included repayment of the $35 million 12.5 percent debenture and the U.S.$13.0 million term loan. With the debt repayments, the weighted average interest rate on fixed rate long term debt (excluding capital lease obligations) declined from last year at 10.6 percent to 10.5 percent in 1990 and the weighted average term to maturity (measured both on the basis of maturity date and on the earlier of maturity and first retraction date) was 10.1 and 5.2 years respectively in 1990 compared to 9.8 and 5.6 years respectively in 1989. Total debt also decreased in 1989 when $60 million of new perpetual preferred shares were issued.

Shareholders' equity increased by $66.3 million after increasing by $94.9 million in 1989. In 1989, $60 million in new perpetual preferred shares were issued and $55 million in retractable preferred shares were replaced with an equivalent amount of perpetual preferred shares.

Loblaw strives to create shareholder value through common share appreciation reflecting historical earnings per share growth and growth potential. The Company's dividend policy is to pay out *dividends* on common shares amounting to approximately 20 percent of the prior year's earnings per share.

Reduced debt levels and an increase in shareholders' equity have resulted in an improvement in the *debt: equity ratio* from .74:1 in 1989 to .58:1 in 1990. These ratios are better than the Company's internal guideline of maintaining a debt:equity ratio of less than 1:1.

During 1990, enhancements were made to benefits payable under some of the Company's pension plans. As a result, the value of accrued pension benefits increased from $286.4 million in 1989 to $343.8 million in 1990.

FUTURE PROSPECTS

Fixed asset expenditures are expected to be approximately $190 million next year and the cash required is expected to be generated through operations. About half of this investment will be made in Eastern Canada and United States' operations will spend about one-sixth, with about one-third going into Western Canada. This weighting of expenditures is similar to 1990. Approximately 80 percent will be spent on corporate stores versus about 70 percent in 1990. Projects already begun, and which the Company is effectively committed to complete, total approximately $72 million of the anticipated 1991 expenditure.

The Company is an aggressive competitor in the food distribution business. Its strategies often involve penetration of new markets such as has taken place in the past two years in Calgary and Vancouver and in the past year in Gatineau, Quebec. It is willing to experiment with new store formats and expand its operations through focused acquisitions when opportunities arise. While these strategies increase short term *risk*, management believes they are essential to long term security and growth.

Management also follows certain strategies to reduce risk: operating in geographically diverse areas to minimize exposure to regional economies and demographics; operating in both the wholesale and retail sectors of the food distribution industry to minimize exposure to shifts in the balance of economic power between these two major components of the industry; following a policy of owning its real estate whenever possible to preserve operating flexibility and position the Company to benefit from any real estate appreciation; and developing powerful corporate brands (no name™, President's Choice™, G•R•E•E•N™) to enhance customer loyalty and provide some insulation from national brand pricing. All these strategies reduce risk.

Retail sales consist of sales to consumers through corporate stores operated by Loblaw Companies Limited. Wholesale sales consist of sales and service fees to franchised independent stores and independent accounts but exclude sales to corporate stores or other inter-company sales.

The following charts illustrate the makeup and trends in Loblaw Companies Limited when viewed from a retail and wholesale perspective.

RETAIL OPERATIONS	*1990*		*1989*		*1988*	
CORPORATE STORES	Stores	Sq. Ft. *(in millions)*	Stores	Sq. Ft. *(in millions)*	Stores	Sq. Ft. *(in millions)*
Beginning of year	334	11.3	311	10.6	361	11.3
Opened	18	.8	55	1.2	21	1.2
Closed	(20)	(.5)	(18)	(.2)	(58)	(1.7)
Franchised						
Transfer to:	(20)	(.3)	(22)	(.4)	(18)	(.3)
Transfer from:	17	.1	8	.1	5	.1
End of year	329	11.4	334	11.3	311	10.6
Average store size *(in thousands)*		34.7 sq. ft.		33.9 sq. ft.		34.1 sq. ft.
Analysis by size						
More than 60,000 sq. ft.	43		40		33	
40,000 - 60,000 sq. ft.	50		48		44	
20,000 - 39,999 sq. ft.	140		148		154	
10,000 - 19,999 sq. ft.	59		64		68	
Less than 10,000 sq. ft.	37		34		12	
	329		334		311	
RETAIL SALES *(in millions)*	$5,320		$5,025		$4,921	
Annual average sales per gross sq. ft.	$475		$458		$440	

WHOLESALE OPERATIONS	*1990*		*1989*		*1988*	
FRANCHISED INDEPENDENT STORES	Stores	Sq. Ft. *(in millions)*	Stores	Sq. Ft. *(in millions)*	Stores	Sq. Ft. *(in millions)*
Beginning of year	1,289	7.3	1,183	6.8	1,354	9.1
Opened	76	.3	174	.7	148	.6
Closed	(102)	(.4)	(82)	(.5)	(332)	(3.1)
Corporate						
Transfer from:	20	.3	22	.4	18	.3
Transfer to:	(17)	(.1)	(8)	(.1)	(5)	(.1)
End of year	1,266	7.4	1,289	7.3	1,183	6.8
Warehouses	54		54		52	
Cash & carry units	53		54		53	
Independent accounts	11,839		12,337		10,114	
WHOLESALE SALES *(in millions)*	$3,097		$2,909		$3,387	

The management of Loblaw Companies Limited is responsible for the preparation and integrity of the financial statements and related financial information of the Company. The financial statements and other financial information in this report have been prepared by the management of the Company in accordance with generally accepted accounting principles and, where necessary, utilizing management's judgements and best estimates.

To help fulfill its responsibility and to assure integrity of financial reporting, management maintains a system of internal controls encompassing all financial records. These controls, which include a comprehensive budgeting system and timely periodic reporting of financial information, provide reasonable assurance that assets are safeguarded and transactions and events are properly recorded. To augment the internal control systems, the Company maintains a program of internal audits coordinated with the external auditors.

Ultimate responsibility for financial statements to shareholders rests with the Board of Directors. An audit committee of non-management directors is appointed by the Board to oversee the fulfillment by management of its responsibilities in the preparation of financial statements and financial control of operations. The audit committee reviews financial statements with management and reports to the directors prior to the approval of the audited financial statements for publication.

Peat Marwick Thorne, independent auditors appointed by the shareholders, review the financial statements in detail and meet separately with both the audit committee and management to discuss their findings, including the fairness of financial reporting and the results of their review of internal controls. The shareholders' auditors report directly to shareholders and their report also appears on this page.

Richard J. Currie

Richard J. Currie
President

David K. Bragg

David K. Bragg
Senior Vice President, Planning and Control

John W. Thompson

John W. Thompson
Senior Vice President, Finance and Administration

Auditors' Report

To the Shareholders of Loblaw Companies Limited

We have audited the consolidated balance sheets of Loblaw Companies Limited as at December 29, 1990 and December 30, 1989 and the consolidated statements of earnings, retained earnings and cash flow for the 52 week periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 29, 1990 and December 30, 1989 and the results of its operations and the changes in its financial postion for the periods then ended in accordance with generally accepted accounting principles.

Peat Marwick Thorne

Chartered Accountants
March 4, 1991
Toronto, Canada

KPMG Peat Marwick Thorne

Consolidated Statement of Earnings

52 Weeks Ended December 29, 1990

(in millions of dollars)	*1990*	*1989*	*1988*
Sales — Canada	$7,103.9	$6,638.2	$6,044.3
— United States	1,312.7	1,295.7	2,263.3
	8,416.6	7,933.9	8,307.6
Operating Expenses			
Cost of sales, selling and administrative expenses	8,097.1	7,643.3	8,049.8
Depreciation	105.0	100.1	97.6
	8,202.1	7,743.4	8,147.4
Operating Income	214.5	190.5	160.2
Interest — Long term debt	54.7	59.2	62.8
— Short term debt	9.4	20.4	11.4
	64.1	79.6	74.2
Unusual item (note 2)			21.5
Earnings before income taxes	150.4	110.9	64.5
Income taxes (note 3)	54.4	38.5	19.4
Earnings before minority interest	96.0	72.4	45.1
Minority interest		2.2	4.3
Earnings Before Extraordinary Items	96.0	70.2	40.8
Extraordinary items (note 4)			(14.6)
Net Earnings For The Period	$ 96.0	$ 70.2	$ 26.2
Per Common Share			
Earnings before extraordinary items	$1.10	$.80	$.41
Extraordinary items			(.20)
Net earnings	$1.10	$.80	$.21

Consolidated Statement of Retained Earnings

52 Weeks Ended December 29, 1990

(in millions of dollars)	*1990*	*1989*	*1988*
Retained Earnings, Beginning of Period	$ 433.9	$ 390.4	$ 395.7
Net earnings for the period	96.0	70.2	26.2
	529.9	460.6	421.9
Dividends declared			
Preferred shares	16.3	12.2	11.3
Common shares, per share — 20¢ (1989—20¢, 1988—20¢)	14.5	14.5	14.4
Premium on redemption of common shares			5.8
	30.8	26.7	31.5
Retained Earnings, End of Period	$ 499.1	$ 433.9	$ 390.4

Consolidated Balance Sheet

As at December 29, 1990

(in millions of dollars)	*1990*	*1989*	*1988*
Assets			
Current Assets			
Cash and short term investments	$ 31.2	$ 24.5	$ 23.5
Accounts receivable	137.9	139.6	168.6
Inventories	621.5	579.6	555.0
Prepaid expenses and other assets	16.5	16.8	18.1
	807.1	760.5	765.2
Investments (note 5)	123.5	131.6	117.5
Fixed Assets (note 6)	1,077.7	1,044.4	1,052.4
Goodwill	58.2	69.7	35.7
Other Assets	35.8	33.4	33.1
	$2,102.3	$2,039.6	$2,003.9
Liabilities			
Current Liabilities			
Bank advances and notes payable		$ 8.3	$ 63.4
Accounts payable	$ 513.2	490.6	412.1
Accrued liabilities	208.1	177.5	191.1
Dividends payable	3.7		
Taxes payable	27.3	2.9	13.0
Long term debt payable within one year (note 7)	4.2	47.1	4.7
	756.5	726.4	684.3
Long Term Debt (note 7)	469.2	494.0	554.7
Other Liabilities	20.9	26.8	34.9
Deferred Income Taxes	43.4	46.4	37.2
Minority Interest in Subsidiaries			41.7
	1,290.0	1,293.6	1,352.8
Shareholders' Equity			
Capital Stock (note 8)			
Preferred shares	223.5	224.3	164.8
Common shares	110.6	108.9	108.2
	334.1	333.2	273.0
Contributed Surplus	8.8	9.0	9.0
Retained Earnings	499.1	433.9	390.4
Foreign Currency Translation Adjustment	(29.7)	(30.1)	(21.3)
	812.3	746.0	651.1
	$2,102.3	$2,039.6	$2,003.9

Approved by the Board

W. Galen Weston
Director
W. Galen Weston

Richard J. Currie
Director
Richard J. Currie

Consolidated Cash Flow Statement

52 Weeks Ended December 29, 1990

(in millions of dollars)	*1990*	*1989*	*1988*
Operations			
Earnings before minority interest	$ 96.0	$ 72.4	$ 45.1
Depreciation	105.0	100.1	97.6
Deferred income taxes	(4.2)	9.6	(1.6)
Other	4.9	4.4	14.9
	201.7	186.5	156.0
Provided from working capital	50.7	72.8	2.4
Cash flow from operations	252.4	259.3	158.4
Investment			
Purchase of fixed assets	(171.2)	(165.7)	(192.0)
Proceeds from sale of fixed assets	21.9	47.1	36.3
Gain on sale of fixed assets included in operations	(3.7)	(8.9)	(13.5)
Acquisition of subsidiary companies (note 9)		(76.8)	(42.2)
Disposition of subsidiary company			148.4
Decrease (increase) in investments in franchisees	4.4	(11.7)	(2.8)
Net decrease (increase)in other items	5.3	(11.6)	(24.6)
	(143.3)	(227.6)	(90.4)
Net cash in before financing and dividends	109.1	31.7	68.0
Financing			
Long term debt — Borrowings		3.0	8.0
— Repayments	(67.7)	(11.7)	(14.2)
Capital stock — Issued	1.7	115.7	1.2
— Redeemed	(.8)	(55.6)	(1.6)
Other			(6.0)
	(66.8)	51.4	(12.6)
Dividends			
To shareholders	(27.3)	(26.5)	(25.7)
To minority shareholders in subsidiary companies		(.5)	(.9)
	(27.3)	(27.0)	(26.6)
Increase in Cash	15.0	56.1	28.8
Cash at beginning of period	16.2	(39.9)	(68.7)
Cash at End of Period	$ 31.2	$ 16.2	$ (39.9)

Cash is defined as cash and short term investments net of bank advances and notes payable.

(Narrative and tabular amounts in millions of dollars except Capital Stock note)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries. The effective interest of Loblaw Companies Limited in the equity share capital of principal subsidiaries is 100%. Kelly, Douglas & Company, Limited formerly an 85% owned subsidiary, became a 100% owned subsidiary June 18, 1989.

b) Cash offsetting

Cash balances for which the Company has a right of offset are used to reduce reported short term borrowings. In addition, the Company has $195.7 (1989 - $157.1) in short term investments held by its United States subsidiaries of which $164.5 (1989 - $157.1) is used to offset short term borrowings in Canada. The $13.5 (1989 - $12.9) income from these investments is included as a reduction of interest expense.

c) Inventories

Retail store inventories are stated at the lower of cost and net realizable value less normal profit margin. All other inventories are stated at the lower of cost and net realizable value.

d) Fixed assets

Fixed assets are stated at cost, including capitalized interest. Interest capitalized during the year amounts to $3.4 (1989 - $4.1). Depreciation is recorded principally on a straight line basis to amortize the cost of these assets over their estimated useful lives.

Estimated useful lives range from twenty to thirty-five years for buildings and three to eleven years for equipment and fixtures. Leasehold improvements are depreciated over the lesser of the applicable useful life and term of the lease.

e) Translation of foreign currencies

Foreign currency balances are translated at a rate approximating the current rate at each year end. The net difference on translation of the Company's equity in United States subsidiaries is included in a separate category of shareholders' equity on the balance sheet, to be recognized in earnings in proportion to any reduction of the net investment. Revenues and expenses are translated at a rate approximating the average rate for the year.

f) Goodwill

Goodwill reflects the excess of the cost of investments in subsidiaries over the fair value of the underlying net tangible assets acquired at the dates of acquisition. Goodwill is being amortized on a straight line basis determined for each acquisition over the estimated life of the benefit, to a maximum period of 40 years. The weighted average amortization period is 27 years.

2. UNUSUAL ITEM

There are no unusual items in 1990 and 1989. The unusual item of $21.5 in 1988 consists of the costs of downsizing and remerchandising combination stores in Eastern Canada.

3. INCOME TAXES

The Company's effective income tax rate is made up as follows:

	1990	*1989*	*1988*
Combined basic Canadian federal and provincial income tax rate	44.5%	44.1%	47.3%
Lower tax rate on capital gains	(.2)	(1.3)	(3.7)
Impact of operating in foreign countries with lower effective tax rates	(7.1)	(8.2)	(12.9)
Other (including adjustment of prior years' estimates)	(1.0)	.1	(.6)
	36.2%	34.7%	30.1%

4. EXTRAORDINARY ITEMS

There are no extraordinary items in 1990 and 1989. Extraordinary items in 1988 consist of a provision for loss on planned disposition of the substantial portion of the New Orleans division, $(16.7), net of income tax recovery of $8.6; and the gain on disposition of Peter J. Schmitt Co., Inc., $2.1, net of income tax recovery of $.2.

5. INVESTMENTS (AT COST)

	1990	*1989*	*1988*
Secured loans and advances	$ 30.8	$ 30.6	$ 28.5
Capital lease receivables	30.7	30.9	30.6
Investments in franchisees	39.4	43.8	32.1
Long term receivables	15.3	14.2	18.2
Sundry investments	7.3	12.1	8.1
	$123.5	$131.6	$117.5

6. FIXED ASSETS

	1990			1989			1988
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net	Net
Properties held for development	$ 5.8		$ 5.8	$ 8.7		$ 8.7	$ 18.2
Land	224.1		224.1	209.5		209.5	194.0
Buildings	578.5	$110.5	468.0	523.5	$ 91.7	431.8	421.5
Equipment and fixtures	644.3	393.6	250.7	602.3	351.2	251.1	265.7
Leasehold improvements	151.0	71.3	79.7	144.4	64.0	80.4	78.1
	1,603.7	575.4	1,028.3	1,488.4	506.9	981.5	977.5
Buildings and equipment under capital leases	82.1	32.7	49.4	91.1	28.2	62.9	74.9
	$1,685.8	$608.1	$1,077.7	$1,579.5	$535.1	$1,044.4	$1,052.4

7. LONG TERM DEBT

		1990	1989	1988
Debentures				
12 1/2%, repaid 1990			$ 35.0	$ 35.0
Series 2, 12 1/4%,	due 1994	$ 35.0	35.0	35.0
Series 3, 11 5/8%,	due 1992	50.0	50.0	50.0
Series 4, 11%,	due 1995	40.0	40.0	40.0
Series 5, 10%,	due 2006	50.0	50.0	50.0
Series 6, 9 3/4%,	due 2001	75.0	75.0	75.0
Series 7, 10%,	due 2001	75.0	75.0	75.0
Series 8, 10%,	due 2007	60.7	65.5	65.5
Term loan at LIBOR plus 3/8% — 3/4%, repaid December, 1990 (U.S. $13.0)			15.5	15.8
Mortgages at a weighted average interest rate of 10.53%, due 1991 — 2002 (including U.S. $1.7)		12.3	13.0	14.0
Other long term debt at a weighted average interest rate of 9.71%, due 1991 — 1997		3.1	3.3	10.2
Capital lease obligations at a weighted average interest rate of 12.41% due 1991 — 2012		72.3	83.8	93.9
		473.4	541.1	559.4
Less payable within one year		4.2	47.1	4.7
		$469.2	$494.0	$554.7

The Series 5 and Series 6 debentures are retractable annually commencing 1996 and 1993 respectively. The Series 7 debentures are retractable in 1991 and 1996. Current intentions are to reset the interest rate on the Series 7 debentures in 1991 which will encourage renewal until 1996. The five year schedule of repayments of long term debt, at the earlier of maturity or first retraction date, excluding the Series 7 debentures is as follows:

1991 - $4.2; 1992 - $54.4; 1993 - $80.1; 1994 - $40.2; 1995 - $46.5.

8. CAPITAL STOCK

	Number of shares issued			Paid-up-capital *(in millions of dollars)*		
	1990	*1989*	*1988*	*1990*	*1989*	*1988*
First preferred shares						
First series	439,652	439,652	439,652	$ 22.0	$ 22.0	$ 22.0
Second series	307,273	316,660	326,010	10.1	10.4	10.8
	746,925	756,312	765,662			
Second preferred shares						
First series			300,000			30.0
Second series			250,000			25.0
Third series	3,000,000	3,000,000	3,000,000	75.0	75.0	75.0
Fourth series	120	120		60.0	60.0	
Fifth series	110	110		55.0	55.0	
	3,000,230	3,000,230	3,550,000			
Junior preferred shares	14,125	18,955	20,980	1.4	1.9	2.0
Total preferred shares				223.5	224.3	164.8
Common shares	72,621,007	72,255,301	72,111,000	110.6	108.9	108.2
Total capital stock				$334.1	$333.2	$273.0

SHARE DESCRIPTION:

First preferred shares (authorized - 1,000,000)
First series — $2.40 cumulative dividend redeemable at $50.

Second series — $3.70 cumulative dividend redeemable at $70. In each fiscal year the Company is obligated to apply $400,000 to the purchase of these shares for cancellation, provided that such shares are available at a price not exceeding $67. During 1990, the Company purchased 9,387 (1989 - 9,350) of these shares for cancellation at a cost of $415,561 (1989 - $401,919). The premium of $105,789 (1989-$93,369) on these purchases has been deducted from contributed surplus.

Second preferred shares

First series — cumulative dividend with floating rate, redeemed at $100 on December 15, 1989.

Second series — cumulative dividend with floating rate, redeemed at $100 on December 15, 1989.

Third series — $1.825 cumulative dividend redeemable at $25, retractable at the option of the holder on September 1, 1993.

Fourth series — cumulative dividend with a fixed rate of 7.75% to March 1, 1995 and a floating rate thereafter, redeemable at par on or after March 1, 1995. These shares were issued December 13, 1989 by way of a private placement.

Fifth series — cumulative dividend with a fixed rate of 7.75% to March 1, 1995 and a floating rate thereafter, redeemable at par on or after March 1, 1992. These shares were issued December 15, 1989 by way of a private placement.

Junior preferred shares

First series — $9.00 cumulative dividend, converted into common shares in 1990. (4,830 convertible into 203,368 common shares in 1989).

Second series — $12.00 cumulative dividend, converted into common shares in 1989.

Third series — cumulative dividend with floating rate equal to two-thirds of average bank prime rate plus 3/4%, redeemable after August 6, 1992 at $100, 6,975 convertible into 186,000 common shares, (6,975 convertible into 186,000 common shares in 1989).

Fourth series — cumulative dividend with floating rate equal to two-thirds of average bank prime rate plus 3/4%, redeemable after May 16, 1993 at $100, 7,150 convertible into 112,157 common shares, (7,150 convertible into 112,157 common shares in 1989).

Common shares

In 1990 the Company issued 203,368 (1989 - 64,000) common shares for a consideration of $483,000 (1989 - $202,500) on conversion of 4,830 junior preferred shares.

In 1990 the Company issued 162,338 (1989 - 80,301) common shares for cash of $1,211,845 (1989 - $484,585) on exercise of employee stock options.

As at December 29, 1990, there were outstanding stock options, which were granted at the market price on the day preceding the grant, to purchase 2,611,953 common shares at prices ranging from $3.00 to $18.50 with a weighted average price of $11.71. Options expire on dates ranging from October 7, 1991 to December 13, 1997, with 204,000 expiring in 1991.

The exercise of the conversion privileges and stock options would not materially dilute earnings per share.

9. ACQUISITIONS

There were no acquisitions in 1990. During 1989, the Company purchased the 15.04% minority interest of Kelly, Douglas & Company, Limited and in 1988 acquired four former Super Carnaval stores and purchased Fortino's Supermarket Ltd.

These transactions have been accounted for using the purchase method with the results of operations included in these financial statements since the dates of acquisitions. Details of the acquisitions are as follows:

	1989	*1988*
	Kelly, Douglas Minority Interest	Super Carnaval and Fortino's
Working capital		$ (6.2)
Fixed assets	$ 7.3	34.5
Goodwill	26.6	30.2
Long term debt		(16.3)
Minority interest	42.9	
Cash consideration	$76.8	$ 42.2

10. PENSIONS

Current actuarial estimates indicate that the present value of accrued pension benefits is $343.8 (1989 - $286.4) and the value of pension fund assets is $299.7 (1989 - $295.3). In addition, a subsidiary is a participant in union-sponsored multiemployer pension plans. The share of these plans' unfunded vested liabilities allocable to the subsidiary, for which it may be contingently liable, is not determinable by the plans' administrators.

11. OTHER INFORMATION

a) Segmented information

The Company's only significant activity is food distribution. Geographically segmented information is as follows:

	Canada			United States		
	1990	*1989*	*1988*	*1990*	*1989*	*1988*
Operating income	$ 178.5	$ 157.0	$ 131.8	$ 36.0	$ 33.5	$ 28.4
Total assets	$1,735.6	$1,671.0	$1,605.3	$366.7	$368.6	$398.6

b) Contingent liabilities and commitments

Endorsements and guarantees in the normal course of business amount to $37.8. Gross rentals under leases assigned at the time of sale of United States divisions for which the Company is contingently liable, amount to $46.0.

In addition to various claims arising in the normal course of business, legal actions concerning the rights and obligations associated with the class A shares of the Company's subsidiary, Westfair Foods Ltd., were commenced in January, 1989. Under an Alberta court decision rendered in the first quarter of this year, Westfair has been directed to purchase these shares, of which there are approximately 30,000 in the hands of minority shareholders, at a value to be independently determined in further proceedings. An appeal of this decision was heard in February, 1991 by the Alberta Court of Appeal and Westfair is currently awaiting the decision. The potential liability arising from an adverse decision is not determinable. Management continues to believe that the appeal ultimately will be successful.

Commitments for net operating lease payments total $596 ($721 gross, net of $125 of expected sub-lease income). Net payments for each of the next five years are as follows:

1991 - $86; 1992 - $78; 1993 - $68; 1994 - $54;
1995 - $44; thereafter to 2023 - $266.

c) Related parties

The Company's majority shareholder, George Weston Limited and its subsidiaries are related parties. It is the Company's policy to conduct all transactions with related parties on normal trade terms. The magnitude of these transactions and balances is not considered significant to the Company.

EARNINGS STATEMENT

($ millions)	*1990*	*1989*	*1988*	*1987*	*1986*	*1985*	*1984*	*1983*	*1982*	*1981*
Sales — Canada	7,104	6,638	6,044	5,689	5,098	4,668	4,394	4,121	3,847	3,513
— United States	1,313	1,296	2,264	2,942	2,741	2,263	2,025	1,970	2,374	2,282
Total	8,417	7,934	8,308	8,631	7,839	6,931	6,419	6,091	6,221	5,795
Trading profit*	320	291	258	290	249	225	205	190	173	166
Depreciation	105	100	98	100	86	73	67	62	58	53
Operating income	215	191	160	190	163	152	138	128	115	113
Interest	64	80	74	64	45	36	29	26	26	29
Income taxes	54	39	19	48	39	44	44	46	39	37
Minority interest		2	4	4	5	4	3	4	4	6
Earnings before extraordinary items	96	70	41	74	74	67	61	52	45	41
Extraordinary items			(15)				3	1	(6)	12
Net earnings	96	70	26	74	74	67	64	53	39	53
PER COMMON SHARE *(dollars)*										
Earnings before extraordinary items	1.10	.80	.41	.87	.91	.85	.77	.66	.54	.49
Net earnings	1.10	.80	.21	.87	.91	.85	.81	.66	.46	.66
Dividends — declared	.20	.20	.20	.195	.175	.155	.135	.118	.105	.085
— year end rate	.20	.20	.20	.20	.18	.16	.14	.12	.11	.09
RETURN ON SALES *(percent)*										
Operating income	2.5	2.4	1.9	2.2	2.1	2.2	2.1	2.1	1.9	1.9
Earnings before income taxes	1.8	1.4	.8	1.5	1.5	1.7	1.7	1.7	1.4	1.4
Earnings before extraordinary items	1.1	.9	.5	.9	.9	1.0	1.0	.9	.7	.7
EARNINGS RATIOS** *(percent)*										
Return on common equity	14.6	11.7	5.9	12.5	14.6	15.6	16.3	16.3	15.3	16.3
Return on capital employed	15.8	13.8	11.2	13.6	14.3	17.0	18.1	18.6	17.5	18.0

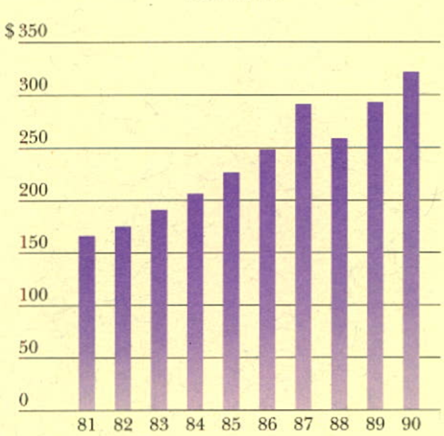
*Trading profit is defined as operating income before depreciation.

**Earnings ratios have been computed as follows:

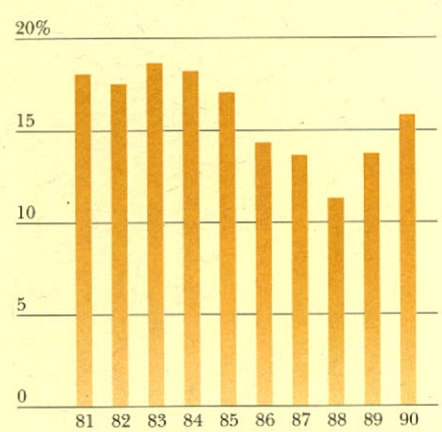
Return on common equity — Earnings before extraordinary items less preferred dividends divided by average common share capital, retained earnings, foreign currency translation adjustment and the applicable portion of contributed surplus.

Return on capital employed — Operating income divided by average total assets less non-interest bearing debt.

TRADING PROFIT*
(in millions)



RETURN ON CAPITAL EMPLOYED



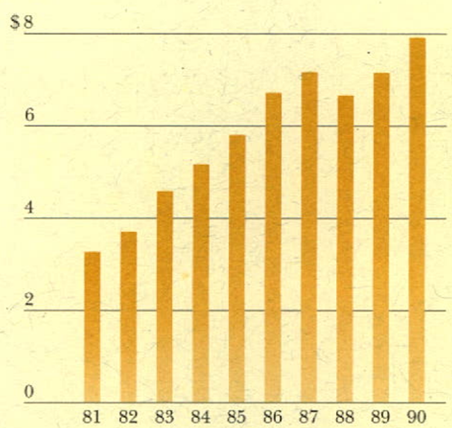
Financial Position

($ millions)	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981
Current assets	807	761	765	983	940	753	624	581	575	531
Current liabilities	756	727	684	843	739	627	495	470	479	433
Working capital	51	34	81	140	201	126	129	111	96	98
Fixed assets (net)	1,078	1,044	1,052	1,057	932	688	577	508	494	459
Total assets	2,102	2,040	2,004	2,214	1,978	1,530	1,264	1,151	1,111	1,034
Long term debt	473	541	559	588	518	342	251	219	226	193
Total debt	473	549	623	686	569	390	283	233	253	220
Retained earnings	499	434	390	396	348	295	245	198	159	134
Shareholders' equity	812	746	651	690	655	521	466	413	344	317
Average capital employed	1,360	1,379	1,433	1,393	1,141	893	761	692	657	628
Per Common Share *(dollars)*										
Book value	7.99	7.10	6.62	7.12	6.68	5.85	5.09	4.33	3.69	3.34
Price range — high	18 7/8	15 1/4	13 1/8	16 7/8	14	12 1/8	9 3/4	7 3/8	5 1/8	4 1/2
— low	13 5/8	10 1/4	9 7/8	9	11	8	6 1/2	4 5/8	2 3/4	2 1/2
Financial Ratios *(xx:1)*										
Working capital	1.07	1.05	1.12	1.17	1.27	1.20	1.26	1.24	1.20	1.23
Total debt to equity	.58	.74	.96	.99	.87	.75	.61	.56	.74	.70

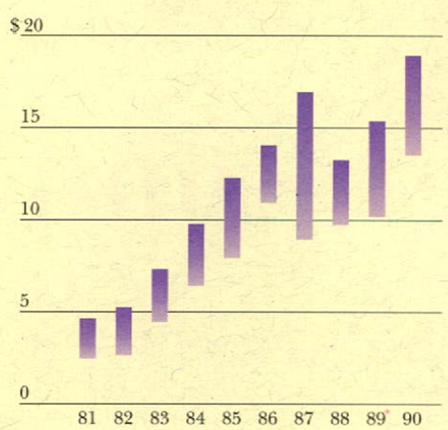
Changes in Financial Position

($ millions)										
Cash flow from operations	252	259	158	182	204	132	60	117	110	123
Purchase of fixed assets	171	166	192	248	290	193	150	104	72	99
Per Common Share *(dollars)*										
Cash flow from operations	3.48	3.59	2.19	2.54	2.86	1.85	.84	1.65	1.55	1.80
Financial Ratios *(xx:1)*										
Cash flow from operations to long term debt	.53	.48	.28	.31	.39	.39	.24	.53	.49	.64
Interest coverage on total debt	3.35	2.39	2.16	3.00	3.62	4.17	4.72	4.86	4.35	3.80

Book Value per Share
(in dollars)



Common Share Price Range
(in dollars)



LOBLAW COMPANIES LIMITED

DIRECTORS

W. Galen Weston, OC
Chairman and President
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President, Loblaw
Companies Limited

Camilla Dalglish
Corporate Director

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Management Consultant

Robert H. Kidd*
Senior Vice President and
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Executive Vice President
Wittington Investments,
Limited

Arthur H. Mingay*
Former Chairman
Canada Trust

David A. Nichol
Executive Vice President
Loblaw Companies
Limited

Shirley E. Robertson*
Homemaker,
Professional Photographer

*member - Audit Committee

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George C. Metcalf

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Raymond J. Addington
Executive Vice President

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Executive Vice President

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Executive Vice President

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Executive Vice President

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Planning and Control

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and Secretary

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Assistant Vice President,
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Barbara T. Cook
Assistant Controller

Marjorie E. Kyle
Assistant Vice President,
Systems and Internal Control

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Assistant Secretary

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President

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(Rosemont, Illinois)
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(Calgary, Alberta)
Raymond J. Addington
Chairman
Serge K. Darkazanli
President

The average age and years of service of the Officers and operating Presidents are 47 and 15 years respectively.

Corporate Directory
Loblaw Companies Limited

Transfer Agent and Registrar
National Trust Company
Toronto, Montreal,
Vancouver, Winnipeg,
Calgary, Regina, Halifax

Stock Listings
Toronto, Montreal and
Vancouver Stock Exchanges

Executive Offices
22 St. Clair Avenue East
Toronto, Ontario
M4T 2S8

General Counsel
Borden & Elliot

Auditors
Peat Marwick Thorne
Toronto, Ontario

Common Dividend Payment Dates
April 1
July 1
October 1
December 30

Valuation Day Value of Common Shares
$2.875

Annual General Meeting
May 1, 1991, 11:00 a.m.
Constitution Hall, Hall A
Metropolitan Toronto
Convention Centre
255 Front Street West
Toronto, Ontario

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