C

more in store

LOBLAW COMPANIES LIMITED

2002 ANNUAL REPORT

New Control Label Products in 2002

1,000 more

$2.64 Basic net earnings per common share

18.9% Return on average shareholders' equity

$215 Return on $100 invested five years ago
(includes dividend reinvestment)

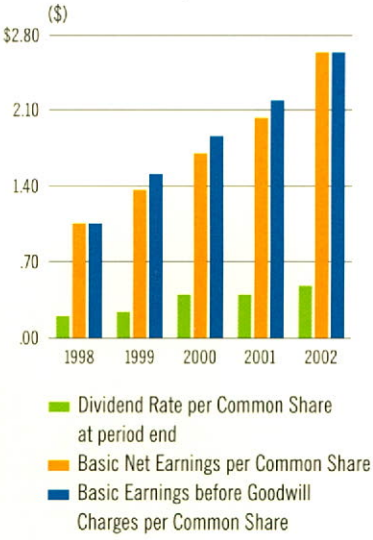
New Stores in 2002

75 more

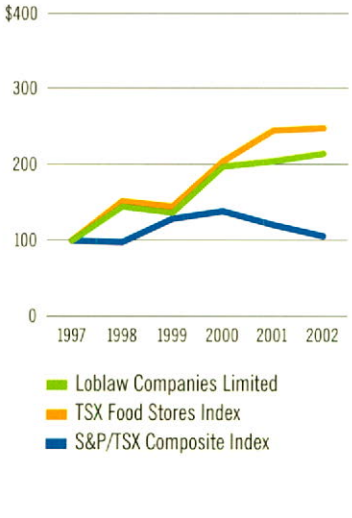
New Gas Bars in 2002

15 more

Basic Net Earnings, Basic Earnings before Goodwill Charges and Dividend Rate per Common Share
($)



Total Return on $100 Investment
(includes dividend reinvestment)
($)

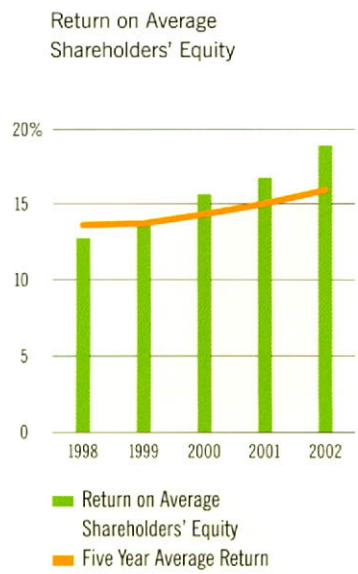


FINANCIAL HIGHLIGHTS (1)

52 Weeks Ended December 28, 2002 ($ millions except where otherwise indicated)	2002	2001
OPERATING RESULTS		
Sales	$ 23,082	$ 21,486
EBITDA	1,657	1,451
Operating income	1,303	1,136
Interest expense	161	158
Net earnings	728	563
CASH FLOW		
Cash flows from operating activities	981	818
Capital investment	1,079	1,108
PER COMMON SHARE ($)		
Basic net earnings	2.64	2.04
Basic earnings before goodwill charges	2.64	2.20
Dividend rate at period end	.48	.40
Cash flows from operating activities	3.55	2.96
Book value	14.94	12.92
Market price at period end	54.00	51.85
FINANCIAL RATIOS		
EBITDA margin	7.2%	6.8%
Operating margin	5.6%	5.3%
Net earnings margin	3.2%	2.6%
Return on average total assets	13.7%	13.4%
Return on average shareholders' equity	18.9%	16.8%
Interest coverage	8.1:1	7.2:1
Net debt to equity	.71:1	.76:1
OPERATING STATISTICS		
Retail square footage (in millions)	40.4	37.8
Average corporate store size (square feet)	48,900	46,400
Corporate stores sales per average square foot ($)	575	566
Same-store sales growth	4.6%	4.3%
Number of corporate stores	632	617
Number of franchised stores	406	401

(1) For financial definitions and ratios refer to the Glossary of Terms on page 60.

The photography in this Annual Report reflects our national presence in markets from coast to coast. Locations photographed were: Loblaws stores in Richmond Hill, Ontario and Markham, Ontario; Maxi store in Verdun, Quebec; The Real Canadian Superstore in Calgary, Alberta and Coquitlam, British Columbia; and Zehrs at the pumps in Sarnia, Ontario.



CORPORATE PROFILE

Loblaw Companies Limited ("Loblaw") is Canada's largest food distributor, with operations across the country. Loblaw strives to provide superior returns to its shareholders through a combination of share price appreciation and dividends. To this end, it follows certain fundamental operating principles. It concentrates on food retailing with the objective of providing consumers with the best in one-stop shopping for everyday household needs. It maintains a significant program of reinvestment in and expansion of its existing markets. It is highly selective in acquisitions and continues to invest in products and technology. Loblaw seeks long term, stable growth, while taking prudent operating risks supported by a strong balance sheet position.

Loblaw is one of the largest private sector employers in Canada. Loblaw and its franchisees employ over 122,000 full-time and part-time employees. It has a responsibility to provide fair wages and secure employment and believes this responsibility can best be met in a stable, low cost operating environment in which everyone associated with Loblaw accepts the need to continuously improve our ability to serve our customers.

At Loblaw, we are deeply committed to providing the products and services to meet a broad range of consumer needs. We strive to continually expand the retail experience and build customer loyalty by providing convenience, choice and a range of fresh offerings to suit the lifestyles of busy Canadians. We are always looking for ways to offer consumers more.

W. Galen Weston, Chairman and John A. Lederer, President

vision

more in-sight

Loblaw Companies Limited enjoyed another excellent year in 2002. This positive performance reflects the continuing success of our proven business strategies. This approach has enabled your Company to achieve and maintain its leadership position as Canada's largest food distributor.

These strategies are as relevant today as in the past. They bear repeating as they lie at the heart of what we are and how we approach new opportunities to grow and to provide superior returns to our shareholders. They include:

- Use the cash flow generated in the business to invest in its future,
- Own our real estate, where possible, to maximize flexibility for product and business opportunities in the future,
- Use a multi-format approach to maximize market share over the longer term,
- Focus on food but serve the customer's everyday needs,
- Create customer loyalty and enhance price competitiveness through a superior control label program,
- Implement and execute plans and programs flawlessly, and
- Constantly strive to improve our value proposition.

The success of this approach was evident in the sales and earnings growth reported in 2002. Total sales increased by 7.4% to exceed $23 billion. Operating income rose by 14.7% to stand at $1.3 billion. Basic net earnings per common share climbed 29% to $2.64, or up 20% from the $2.20 recorded last year on a comparable basis. And same-store sales grew by 4.6%, a particularly strong showing given current trends among North American retailers.

Last year your Company initiated a number of measures designed to achieve and to improve upon these results. These measures – the key to our future success – are focused on our stores, our offerings and our operations.

OUR STORES

Retail stores remain at the heart of the Company's business plan. Our store-centred strategy contains a number of elements. A multi-banner approach enables us to serve a greater variety of consumers, compete more strongly on price and place the right offering in the right markets. A combination of corporately owned and franchised stores increases our flexibility and our capacity for growth. Our popular discount banners enable us to offer the lowest prices in the markets in which they operate. Stores of varying sizes help meet the needs of individual markets and accommodate an expanded array of products and services.

We believe in the potential of larger stores where appropriate and will continue to invest in our large store program. We are certainly not new to this concept, having introduced the "superstore" to this country in Western Canada in 1979. In recent years we have begun to expand it to other regions, a trend that will continue.

We will build and operate the store network required to meet our business objectives. Toward that end, we invested $1.1 billion mostly in the opening, expansion and improvement of stores in 2002. We opened 75 new stores across Canada, the majority of them Company-owned, resulting in a net increase of more than 2 million square feet of retail space.

OUR OFFERINGS

As important as our stores are the offerings they provide. Traditional food offerings remain the core of our business and are the principal means of getting consumers into our stores. We are dedicated to providing the freshness, consistency and quality within our perishable areas that are essential to customer satisfaction. Our food offering is enhanced by a strong and successful control label program. The *President's Choice*, *President's Choice Organics*, *Club Pack*, *no name* and other labels assist in creating customer loyalty and increasing our price competitiveness.

Once in our stores, customers are increasingly attracted to the non-food offerings for which we are already well-known. We will continue to expand these product offerings and services. A broader assortment will help us realize the additional growth opportunities we believe exist in Canada. It will provide a venue in which customers can purchase even more of their everyday needs. As well, it will attract shoppers from other retailers and enable us to compete successfully.

During the past year we continued or introduced measures designed to increase our non-food offering. We expanded our pharmacy, photo developing, *President's Choice Financial* and other services. In addition, we broadened our housewares and home accessories sections, opened fitness centres, launched a number of innovative and attractively priced general merchandise items under the *PC* label and began to expand our Western-based network of gas bars into Eastern Canada.

OUR OPERATIONS

Our stores and offerings will shape our future success. So too will the way in which our business is organized. During the past year we adjusted our operations and strengthened our management team. These measures are intended to make us more effective in controlling costs, integrating and streamlining procedures and increasing profitability.

We sharpened the focus of our retailing operations on four geographic regions: Western Canada, Ontario, Quebec and Atlantic Canada. We also appointed the senior management team that will direct our operations, support services and other functions. We are delighted that the majority of these appointments were made from within the organization and that they represented an increased role for a number of individuals.

We also continued to explore the benefits of consolidating corporate and support functions for a given region or business. We concluded that the positive results realized through such measures in Western Canada and Quebec could be achieved in Ontario as well. In 2002 we indicated that the operations groups for each of the Ontario banners and functional areas will be consolidated into a common facility to be constructed on land we have secured in the city of Brampton. The move will occur during the summer and fall of 2004.

MANAGING FOR GROWTH AND OPPORTUNITY

We realize that our continued success can never be taken for granted but must be earned. Your Company has prospered by recognizing the need to continuously review and adjust its activities in changing times. We have always viewed competitive challenges as opportunities for growth and we will continue to do so. The achievements and initiatives of the past year reflect both this belief and our commitment to the measures that will ensure continued vitality, growth and success.

Our achievements are attributable to the hard work and dedication of many people across the country. As always, the Company greatly appreciates the significant contribution of our personnel, customers and business partners. We will do everything possible to drive the organization forward on their behalf, to enhance the value of the Company and to reward our shareholders.

W. Galen Weston
CHAIRMAN

John A. Lederer
PRESIDENT

OPERATIONAL DIRECTORY (includes age and years of service)

John A. Lederer (47 and 26 years)
President

David R. Jeffs
(45 and 24 years)
Western and Non-Food Operations

Retail Operations
Tom G. Fraser
(62 and 43 years)

The Real Canadian Superstore
Raymond P. Daoust
(49 and 31 years)

Extra Foods
David A. Berg
(41 and 25 years)

The Real Canadian Wholesale Club
J. Lorne Cumming
(59 and 22 years)

SuperValu, Shop Easy Foods and Lucky Dollar Foods
Jim Courtney
(50 and 23 years)

Carmen Fortino
(44 and 18 years)
Ontario Operations

Loblaws
Deane Collinson
(48 and 18 years)

Zehrs Markets
R. Glen Gonder
(44 and 25 years)

Fortinos
Vince Scorniaenchi
(44 and 30 years)

No Frills and Cash & Carry
Robert Adams
(42 and 19 years)

Your Independent Grocer and Valu-mart
Kevin Ryan
(53 and 16 years)

Bernard J. McDonell
(48 and 9 years)
Quebec Operations

Loblaws
Dave Mock
(43 and 20 years)

Maxi (including Maxi & Cie.)
Denis Gaudreau
(47 and 3 years)

Provigo
Daniel Dufresne
(45 and 1 year)

Distribution Group:

Associated Banners and Presto
Pierre Ledoux
(50 and 5 years)

Violet Konkle
(49 and 9 years)
Atlantic Operations

Atlantic Superstore and Dominion*
*in Newfoundland and Labrador
Mark Butler
(42 and 27 years)

Atlantic SaveEasy and Cash & Carry
Tom Cogswell
(53 and 36 years)

Real Estate
David K. Bragg
(54 and 19 years)

Marketing
Paul Clark
(45 and 3 years)

Labour Relations
Roy R. Conliffe
(52 and 21 years)

General Counsel
Stewart E. Green
(58 and 26 years)

Treasury, Tax, Risk Management and Investor Relations
Richard P. Mavrinac
(50 and 20 years)

Supply Chain, Information Technology, Food Sourcing and Procurement
Paul D. Ormsby
(51 and 20 years)

President's Choice Bank
Donald G. Reid
(53 and 23 years)

Control Label Development
Pietro Satriano
(40 and 1 year)

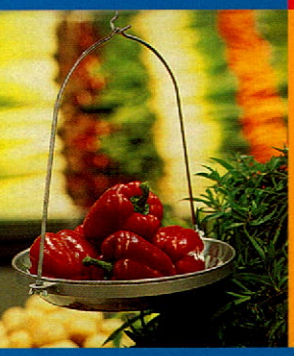
Financial Control and Reporting, Human Resources and Loss Prevention
Stephen A. Smith
(45 and 17 years)

OUR APPROACH

The cornerstone of our heritage is embodied in seven basic strategic imperatives. Our commitment to these imperatives has successfully driven our past performance and will provide the framework for our continued future development.

Use the cash flow generated in the business to invest in its future.

Own our real estate, where possible, to maximize flexibility for product and business opportunities in the future.



Use a multi-format approach to maximize market share over the longer term.

Focus on food but serve the customer's everyday needs.

Create customer loyalty and enhance price competitiveness through a superior control label program.

Implement and execute plans and programs flawlessly.

Constantly strive to improve our value proposition.

From banking and bathware to fresh produce and baked goods, for thousands of Canadians, more in one means more of life's essentials under one roof.

convenience

more in one

While remaining focused on food, we try hard to satisfy our customers' everyday needs. We're an important part of many neighbourhoods, with many customers depending on us to fill their prescriptions, handle their dry cleaning, and even develop photos through our quality photo finishing service. Others turn to us for the latest in great value kitchenware and no-nonsense financial services – including our *President's Choice Financial* MasterCard that earns points toward future purchases.

MORE... IN ONE-STOP SHOPPING

We recognize that the quality, selection and value of our food offerings are important to our customers. We believe that the vast selection of fresh produce, freshly baked goods, fresh meats and cheeses, and of course, our signature control label products, are essential components to the compelling food offerings we provide to our customers.

By complementing these powerful food offerings with an array of departments and services in our stores, we create a unique one-stop shopping experience where our customers can do their weekly errands. Our customers are able to buy everything from health and beauty needs, to diapers, clothing and toys for the children, flowers for their garden, and groceries – all in one trip.

Our one-stop shopping experience is continually evolving as we constantly look for more smart, simple solutions for today's time-deprived consumers. For example, self scan checkouts are being installed in new stores or retrofitted in some of the larger established stores to meet the need for convenience of today's busy consumers. Our gas bars are also a convenient time-saving alternative – grocery carts and gas tanks can be filled in one trip – and in keeping with our objective of offering exceptional value, customers are offered cash-back vouchers that can be redeemed in our stores. Customers can also order flowers, refill prescriptions and order photo prints and gifts on-line all from the comfort of their homes.

Our *Photolab* department provides our customers with exceptional quality and value in all photo finishing services and products at our many convenient locations.

Whether by banking machine, Internet or telephone access, *President's Choice Financial* services are readily available for all of your banking needs.

Convenient, fast and easy – self scan checkouts give customers the option of packing their own groceries.

We continue to enhance the one-stop shopping experience as we expand the variety of departments and services throughout our store network. Through the continued introduction in 2002 of new larger store layouts or retrofits of existing locations, we now deliver to more customers a unique shopping experience that includes an expanded selection of general merchandise. New departments such as *homefresh*, *bed & bath*, *cook & table* and *electronics for less* include everything from bed and bath products, to cookware, small kitchen appliances, home electronics, digital cameras, and MORE.

MORE... REWARDS

President's Choice Financial banking products, the *President's Choice Financial* MasterCard and the *PC* points rewards program, are unique financial services offerings. Customers enjoy no fees on their daily banking, competitive interest rates, a *PC* points rewards program and convenient access to accounts through the Internet, telephone, and in-store banking machines, consistent with our *President's Choice* philosophy of dependable value.

Customers can pick from a full menu of delicious financial products such as the no fee bank account, the *Interest First* savings account, the *unbeatable*, *eatable mortgage*, *The World's Best* RRSP and the *President's Choice Financial* MasterCard. First introduced in the spring of 2001, the *President's Choice Financial* MasterCard, which is available in Western Canada, Ontario and Atlantic Canada, has doubled its customer base during the last 12 months, with further expansion planned for 2003 into the province of Quebec.

Through the *PC* points rewards program, customers also earn *PC* points simply by doing their everyday banking or shopping with the *President's Choice Financial* MasterCard. Redeemable towards groceries and other great rewards, *PC* points also became redeemable for travel for the first time in 2002 and more exciting rewards are planned for 2003.

Our customers enjoy a wide variety of fresh bread and rolls including hearth style artisan breads, and delicious pies, fine cakes and pastries from our bakery department.

Our *cook & table* department includes an extensive selection of merchandise that allows for easy and stylish entertaining with an accent on value.

Continuing to serve the varied lifestyles of Canadians, our *meals to go* department is just another way that Loblaw brings more to the table.

lifestyle

more in style

Understanding and anticipating our customers' lifestyle needs is important to us. From freshly prepared entrées and side dishes to go, to a great selection of healthy foods, and new and stylish products for the home, by the time the latest trends hit the mainstream, we're already there with exciting new offerings in every department.

MORE... TO HELP YOU LIVE LIFE WELL

Our stores offer a broad assortment of products and services to meet the Canadian consumer's changing needs and expectations. Loblaw strives to be a regular part of everyday Canadian life. Whether the day involves shopping for groceries, checking out the latest in natural vitamins and health foods, working out at the fitness centre or just picking up tonight's already prepared hot dinner, Loblaw wants to be there, making today's hectic lifestyle simpler.

We are committed to remain in touch with diverse lifestyles and the daily needs of our customers across Canada and to innovate and adapt our offerings to be in sync with their needs. We continue to offer products and departments to help our customers and their families adopt a healthier lifestyle.

Our new larger store formats offer everything from a fitness centre with supervised childcare to many convenient departments and services to "help you live life well". Our *Natural Value* department offers our customers a selection of alternative healthy, organic and nutritious foods, vitamins and supplements, along with home remedies. Our in-store pharmacies, in addition to filling prescriptions, offer a variety of health and beauty products, including Loblaw's own *EXACT* products. Our *EXACT* products ranging from pain relievers and vitamins to herbals and beauty care are all manufactured to high industry standards to provide customers with the quality they need at competitive prices. Our *refresh* department carries top selling designer fragrances and favourite cosmetic brands to help our customers look and feel good.

Through our diverse offerings, we make it possible for our customers to choose what is right for them.

Just steps away from the grocery aisles you'll find fitness centres for women. Drop off the children in a specialized playroom and let trained professionals help you get the workout you need.

Natural Value is a one-stop shop for all health food needs, offering our customers natural alternatives for a healthier lifestyle.

MORE... ORGANICS

The market has seen a dramatic growth in the demand for organic products and we have responded by introducing over 100 new *President's Choice Organics* products in 2002. We now carry approximately 200 certified organic products in our *President's Choice Organics* line, all competitively priced. The *President's Choice Organics* assortment of products, which is growing and is now in almost every department of our stores, includes household staples like flour, juices, cereals, pasta, pasta sauces, fruit spreads, fresh produce, baby food, dairy products and even organic seeds which can be found in our lawn and garden centres. *President's Choice Organics* products strictly adhere to the holistic code of practice required by the National Standards of Canada on Organic Agriculture. We continue to expand this product line to satisfy customers' demands and their need for variety and choice.

MORE... STYLE

Canadians are focusing a larger percentage of their disposable income on their home and home-related requirements. In response to the continued demand by the consumer for an expanded assortment of general merchandise products geared to the home, the *President's Choice* team has launched a range of home lifestyle products that are unique, well designed and represent an incredible value proposition. The same principles that guide the development of our *President's Choice* products have been adopted for this new range of products – from "Thick and Juicy" burgers to "Thick and Thirsty" towels. We have embodied the trusted quality and dependable value for which our products have become known in this new collection of wonderful items for our homes. In 2002, our team of product developers and designers introduced over 100 *PC* general merchandise products, which are sourced worldwide, and cater to all areas of the home – bed, bath, kitchen, home decor and outdoor living. Efforts are underway to expand this initiative, with the expectation that over 400 products will be created by the end of 2003.

Our *bed & bath* department offers a wide range of products reflecting current lifestyle trends with a focus on colour, design and great value.

Our *EXACT* health and beauty products offer great value and are equivalent in quality to the more expensive national brands, making them an important offering in our pharmacy department.

As part of the community in which we live, Loblaw is a meeting place for many.

community

more in touch

Our popular "*Upstairs at Loblaws*" is more than just an educational cooking program. This program allows us to keep in touch with our surrounding communities and, as a result, we get to know our customers better. Select locations also feature *Natural Value* seminars, fitness seminars and corporate events. Adults aren't the only ones who benefit – on weekends children participate in our "*Kitchen Kids*" programs or attend some of the roughly 300 birthday parties held each month.

COAST TO COAST USING A MULTI-FORMAT APPROACH

Operating a balanced portfolio of banners and store formats across Canada, the Company seeks to maximize its market share on a market-by-market basis. While our core business is and will always be food, our multi-format approach will help us meet the everyday needs of our customers by offering more in store.

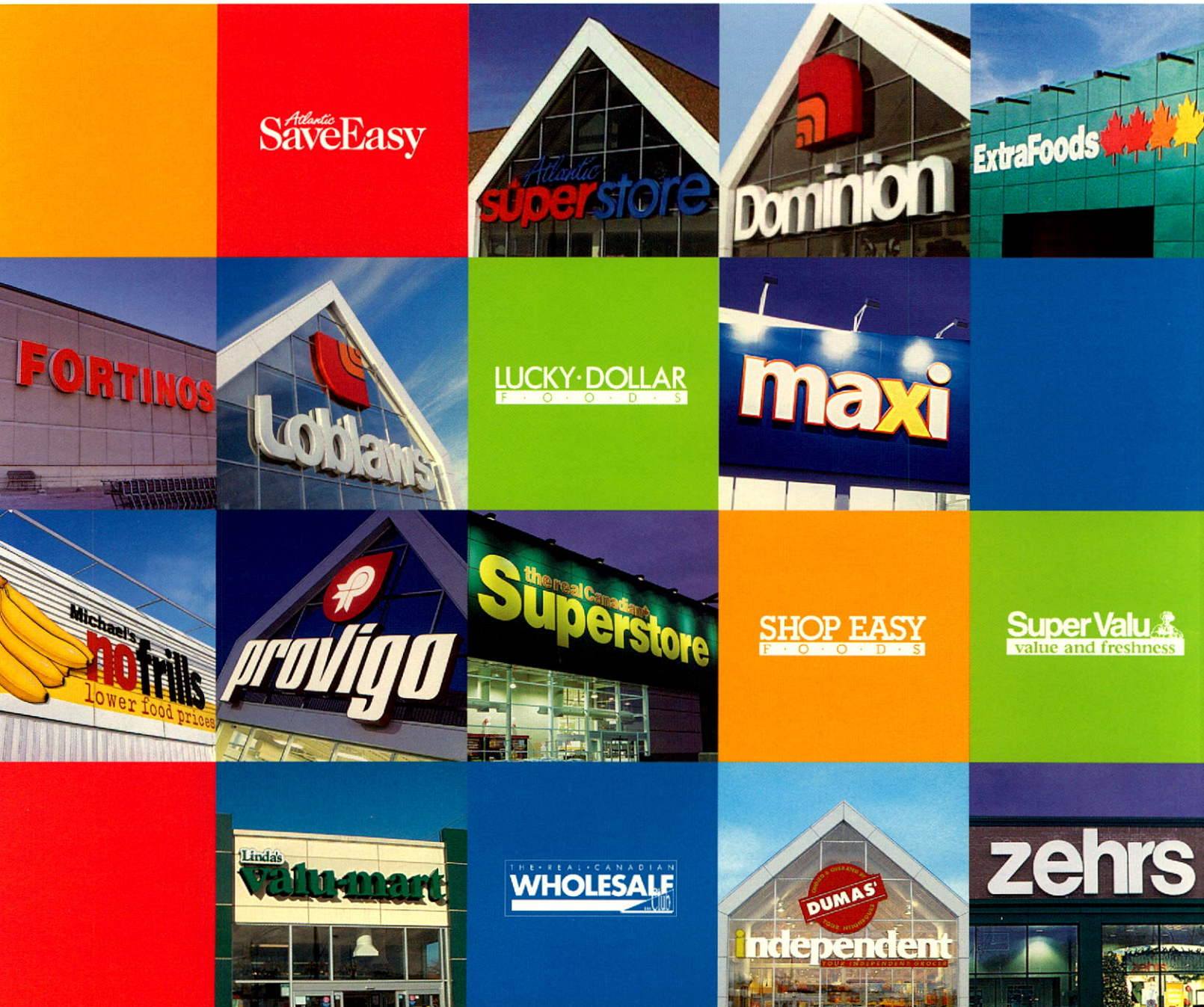
more in reach

	Corporate Stores	Franchised Stores	Associated Stores	Independent Accounts	Warehouses
British Columbia	37	44	25	18	1
Yukon	1	1			
Northwest Territories	2		1		
Alberta	57	2	15	1,498	3
Saskatchewan	34	13	48	1,640	2
Manitoba	20	4	50	78	1
Ontario	167	238	20	88	10
Quebec	233	42	453	2,029	11
New Brunswick	22	25	33	348	2
Nova Scotia	37	26	2	636	2
Prince Edward Island	5	4	1	170	
Newfoundland and Labrador	17	7	11	564	2
Total	632	406	659	7,069	34

Our *President's Choice* products are marketed in select supermarket chains in the following countries: Barbados, Bermuda, Cayman Islands, China (Hong Kong), Colombia, Israel, Jamaica, Trinidad and the United States.

NUMBER OF STORES

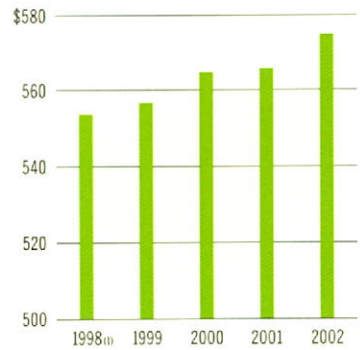
Atlantic SaveEasy	56
Atlantic Superstore	50
Dominion (in Newfoundland and Labrador)	15
Extra Foods	90
Fortinos	18
Loblaws	98
Lucky Dollar Foods	102
Maxi (including Maxi & Cie.)	85
No Frills	110
Provigo	138
The Real Canadian Superstore	57
The Real Canadian Wholesale Club	32
Shop Easy Foods	56
SuperValu	29
Valu-mart	71
Your Independent Grocer	54
Zehrs Markets	58
Cash & Carry and other banners	578



more in foundation

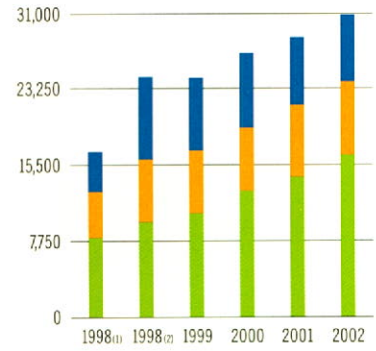
	2002 Stores	2002 Sq. Ft. (in millions)	2001 Stores	2001 Sq. Ft. (in millions)
CORPORATE STORES				
Beginning of period	617	28.6	606	27.0
Opened	53	3.6	46	2.9
Closed	(43)	(1.4)	(42)	(1.4)
Transferred from franchised stores	5	.1	5	.1
Transferred from associated stores			2	
End of period	632	30.9	617	28.6
Average store size (in thousands)		48.9		46.4
Analysis by size:				
More than 60,000 sq. ft.	181	16.6	158	14.4
40,000–60,000 sq. ft.	151	7.4	147	7.3
20,000–39,000 sq. ft.	175	5.1	178	5.1
Less than 20,000 sq. ft.	125	1.8	134	1.8
	632	30.9	617	28.6
Sales by corporate stores ($ millions)	$ 17,105		$ 15,721	
Sales per average square foot ($)	$ 575		$ 566	

Corporate Stores
Sales per Average Square Foot
($)



Corporate Stores
Sales per Average Square Foot
(1) Excluding acquisitions

Corporate Stores
Square Footage
(thousands of sq. ft.)



> 60,000 sq. ft.
40,000–60,000 sq. ft.
< 40,000 sq. ft.

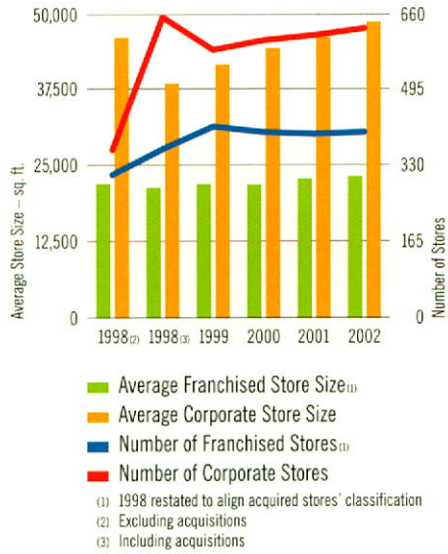
(1) Excluding acquisitions
(2) Including acquisitions, excluding 1999 dispositions

OUR STORES – THE FOUNDATION OF OUR OPERATIONS

The Company continues to use the cash flow generated in the business to invest in its future. Over the past three years, the Company has invested over $3.1 billion in stores and supporting infrastructure, resulting in a net increase of 6.7 million retail square feet, an average annual increase of over 6%. Over the same period, average corporate store size increased 17% and corporate store sales per average square foot increased from $557 to $575.

	2002 Stores	2002 Sq. Ft. (in millions)	2001 Stores	2001 Sq. Ft. (in millions)
FRANCHISED STORES				
Beginning of period	401	9.2	405	8.9
Opened	22	.7	15	.7
Closed	(15)	(.3)	(20)	(.4)
Transferred to corporate stores	(5)	(.1)	(5)	(.1)
Transferred from associated stores and independent accounts	3		6	.1
End of period	406	9.5	401	9.2
Average store size (in thousands)		23.4		22.9
ASSOCIATED STORES	659		694	
INDEPENDENT ACCOUNTS	7,069		7,172	
WAREHOUSES	34		40	
Sales to independent stores and accounts ($ millions)	$ 5,977		$ 5,765	

Average Store Size and Number of Stores



(1) 1998 restated to align acquired stores' classification
(2) Excluding acquisitions
(3) Including acquisitions

Retail Square Footage and Percentage Increase
(thousands of sq. ft.)

(1) Excluding acquisitions
(2) Including acquisitions

management's discussion and analysis

The following Management's Discussion and Analysis ("MD&A") for Loblaw Companies Limited (the "Company" or "Loblaw") should be read in conjunction with the consolidated financial statements and the related notes on pages 41 to 57 of this Annual Report. A glossary of terms used throughout this Annual Report can be found on page 60.

FORWARD-LOOKING STATEMENTS

This Annual Report, including this MD&A, contains certain forward-looking statements. Such statements relate to, among other things, sales growth, expansion and growth of the Company's business, future capital expenditures and the Company's business strategy. Forward-looking statements are subject to inherent uncertainties and risks including but not limited to: general industry and economic conditions, changes in the Company's relationships with its suppliers, pricing pressures and other competitive factors, the availability and costs of raw materials, fuels and utilities, the results of the Company's ongoing efforts to improve cost effectiveness, the rates of return on the Company's pension plan assets, changes in regulatory requirements affecting the Company's business and the availability and terms of financing. Other risks are outlined in the Operating and Financial Risks and Risk Management sections of this MD&A. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements.

OVERVIEW

Loblaw is Canada's largest food distributor, with operations across the country. Loblaw concentrates on food retailing and is increasing its offering of non-food products and services with the objective of providing consumers with the best in one-stop shopping for everyday household needs. The Company has supplied the Canadian market, as a subsidiary of George Weston Limited, with innovative products and services for more than 45 years.

VISION AND STRATEGIES

Loblaw strives to provide superior returns to its shareholders through a combination of common share price appreciation and dividends and to maximize its market share and operational flexibility. Loblaw seeks long term, stable growth while taking prudent operating risks supported by a strong balance sheet.

Loblaw believes that to be successful in the Canadian food distribution industry it must provide consumers with the best in one-stop shopping and continually introduce innovative products and convenient services that meet their everyday household needs.

Looking ahead, Loblaw's long term goals are to be known:
- for offering the highest quality fresh foods,
- for our compelling value proposition and food assortment,
- as a leader in the development of unique, high quality, control label products and services,
- for our powerful and compelling non-food offering,
- as one Company that delivers sustainable growth through distinct but integrated approaches to the market place, and
- for providing a great place to work and grow.

The Company employs various operating and financial strategies, some of which may carry some short term risk, in order to achieve its long term objectives.

The Company's operating strategies include:
- using the cash flow generated in the business to invest in its future,
- owning our real estate, where possible, to maximize flexibility for product and business opportunities in the future,
- using a multi-format approach to maximize market share over the longer term,
- focusing on food but serve the consumer's everyday needs,
- creating customer loyalty and enhancing price competitiveness through a superior control label program,
- implementing and executing plans and programs flawlessly, and
- constantly striving to improve our value proposition.

The Company's financial strategies include:
- maintaining a strong balance sheet,
- using financial instruments to minimize the risks and costs of its operating and financing activities, and
- maintaining liquidity and access to capital markets.

The Company believes that if it successfully implements and executes its various operating and financial strategies and continues to focus on food while serving the consumer's everyday needs, it will be well positioned to provide sustainable returns to its shareholders.

KEY PERFORMANCE INDICATORS

The Company continuously reviews and monitors its activities and performance indicators, which it believes are critical to measuring whether the implementation of its operating and financial strategies are successful. Some of the Company's key performance indicators are set out below. Others include: market share, product development of new control label products, and operating and administrative cost management.

KEY PERFORMANCE INDICATORS

	2002	2001
Sales growth	7.4%	6.8%
Basic net earnings per common share growth (1)	29.4%	19.3%
Net debt to equity ratio	.71:1	.76:1
Return on average shareholders' equity	18.9%	16.8%

(1) After adjusting the 2001 basic net earnings per common share to exclude goodwill charges, basic net earnings per common share in 2002 increased 20.0% on a comparable basis.

RESULTS OF OPERATIONS

OPERATING RESULTS

($ millions except where otherwise indicated)	2002	2001	Change
Sales	$ 23,082	$ 21,486	7.4%
Operating income	$ 1,303	$ 1,136	14.7%
Operating margin	5.6%	5.3%	
EBITDA (1)	$ 1,657	$ 1,451	14.2%
EBITDA margin (1)	7.2%	6.8%	

(1) The Company has included information on EBITDA because it believes certain investors use this measure as a means of measuring financial performance. The term EBITDA does not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. This measure should not be construed as an alternative to cash flow from operations or earnings from operations as determined in accordance with Canadian GAAP as a measure of liquidity or earnings. EBITDA is calculated as follows: operating income of $1,303 million (2001 – $1,136 million) plus depreciation of $354 million (2001 – $315 million).

Our own control labels such as *teddy's choice, Klōz for Kids* and *HIGHER STATE* offer selection, convenience and quality at competitive prices. Our *Klōz for Kids* department is now offered in over 280 locations.

Recognizing the importance of meals, we are continually reinventing frozen prepared foods for busy people. With an eye toward emerging trends, we deliver a wide range of easy-to-prepare meals for stay-at-home dinners.

SALES Sales increased 7.4%, to $23.1 billion from $21.5 billion in 2001. All regions across the country experienced sales growth, overcoming the effects of our intensified lower pricing in Quebec, a minimal impact from the Fortinos strike and slower sales growth in the second quarter of 2002 attributable to a two week strike in the Saskatchewan Superstore business and unseasonable weather in Ontario and Quebec. Our Quebec lower pricing continues to yield increasing volumes in that region.

The increase in total sales resulted from:

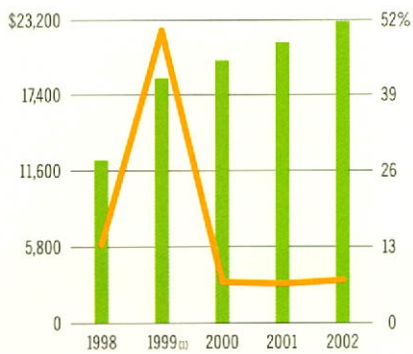
- a 4.6% same-store sales growth, some of which related to the renovation or minor expansion of 84 stores, and
- a 6.9% increase in net retail square footage related to the opening of 75 new corporate and franchised stores and the closure of 58 stores. The weighted average retail square footage increased 6.2%, net of closures.

National food price inflation remained low during 2002, while 2001 sales growth included some impact from food price inflation early in the year (principally in meat and fresh fruits and vegetables).

The strategy of significant annual capital investment has proven successful and is reflected in the strong sales and same-store sales growth experienced over the past few years. Over the last three years, sales growth and same-store sales growth has averaged 7.1% and 4.5% respectively. Growth was also seen in corporate store sales per average square foot which rose from $557 in 1999 to $575 in 2002. Since 2000, the Company has invested approximately $1 billion in capital annually and plans to increase this to approximately $1.3 billion in 2003, expanding the store network and strengthening the existing store base through renovation, expansion and/or replacement. In 2003, the Company plans to open, expand or renovate more than 160 corporate and franchised stores across Canada.

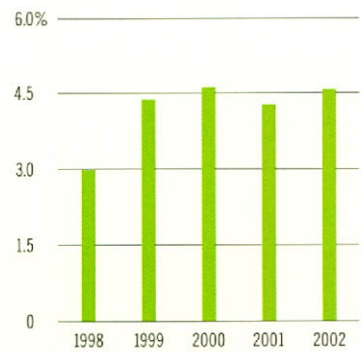
Control label sales reached $4.9 billion in 2002 and penetration, measured as control label sales as a percentage of the Company's retail sales, increased to 23.6% from 21.9% in 2001. The Company introduced approximately 1,000 new control label products in 2002, including 100 new *PC* general merchandise products. The Company's control label program, which includes *President's Choice*, *PC*, *President's Choice Organics*, *no name*, *Club Pack*, *GREEN*, *TOO GOOD TO BE TRUE* and *EXACT*, provides additional sales growth potential.

Sales and Percentage Increase
($ millions)



Sales
Percentage Increase
(1) Including acquisitions

Same-Store Sales Growth



Same-Store Sales Growth

The Company also has growth opportunities as it positions itself in the general merchandise and gas bar categories in Eastern Canada, building on its success in Western Canada. The Company currently operates 96 gas bars in Western Canada and five gas bars that were introduced in the Ontario market in 2002. In 2003, the Company plans to open approximately 30 gas bars in Ontario, Quebec and the Atlantic provinces.

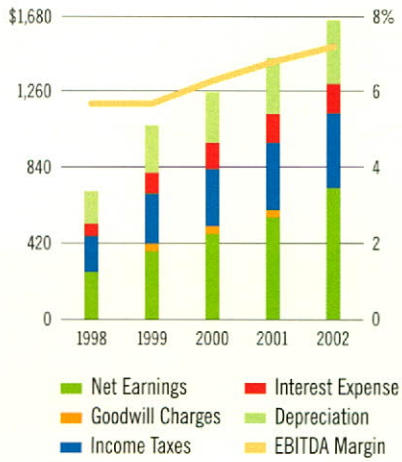
Loblaw expects that the following initiatives will generate continued sales growth over each of the next few years:

- continued capital investment in its store network,
- expansion of non-food/general merchandise offerings,
- opening of additional gas bars, and
- ongoing introduction of new control label products.

OPERATING INCOME Operating income in 2002 increased $167 million, or 14.7%, to $1.3 billion, including a $14 million compensation cost ($21 million less the $7 million fair value impact of the equity forwards) relating to the new Canadian accounting standard for stock-based compensation and other stock-based payments implemented in 2002. Gross margins strengthened and operating margin improved to 5.6% from 5.3% in 2001. All regions across the country realized earnings improvements over 2001. EBITDA margin improved to 7.2% from 6.8% in 2001 and compares favourably with North American industry peers. Margins continue to improve as a result of:

- better overall sales mix management at the store level,
- the continued focus on administrative cost control and operating efficiencies, including a focus on controlling retail shrink and retail labour management,
- reduced product costs as a result of buying synergies, and
- the maturing of stores opened during the past few years.

Analysis of EBITDA and EBITDA Margin ($ millions)



Operating Income and Margins ($ millions)

The Company expects continued operating income growth over each of the next few years consistent with recent history as a result of a combination of continued sales increases, a continued focus on the initiatives described above, as well as the following:

- optimization of the Company's supply chain and logistics opportunities, and
- continued roll out of *President's Choice Financial* services and products.

INTEREST EXPENSE Interest expense consists primarily of interest on short and long term debt, the amortization of deferred financing costs, the interest impact of interest rate swaps, cross currency basis swaps and equity forwards and interest income earned on short term investments. In 2002, interest expense increased $3 million, or 2%, to $161 million from $158 million in 2001.

Net short term interest income decreased to $17 million (2001 – $23 million) mainly as a result of lower average net interest rates on short term investments and commercial paper.

The Company capitalizes interest incurred on debt related to real estate properties under development. During 2002, $30 million (2001 – $27 million) of interest expense was capitalized to these fixed assets.

Interest on long term debt increased $23 million to $246 million in 2002, as a result of an increase in average net borrowing levels partially offset by a decline in average net borrowing rates. Other long term interest includes the net positive effect of the Company's interest rate swaps, cross currency basis swaps and equity forwards of $38 million (2001 – $15 million). The 2002 weighted average interest rate of fixed long term debt (excluding capital lease obligations) was 7.0% (2001 – 7.1%) and the weighted average term to maturity was 16 years (2001 – 16 years). The 2003 interest expense is expected to increase due to higher average net borrowing levels.

ANALYSIS OF LONG TERM FINANCING COSTS

($ millions except where otherwise indicated)	2002	2001
Total long term debt at period end (including portion due within one year)	$ 3,526	$ 3,414
Interest on long term debt	$ 246	$ 223
Weighted average interest rate of long term debt	7.0%	7.1%
Interest coverage	8.1:1	7.2:1

At our 440 outdoor garden centres, our customers can find everything they need to make their gardens beautiful. From the latest annuals, perennials and nursery stock to an outstanding array of soils, fertilizers, and accessories.

Our internationally recognized award winner. This *President's Choice Easy-Carve Turkey* was voted the "best new product in the world" in 2002 from SIAL, the International Food Products Exhibition.

INCOME TAXES The Company's effective income tax rate decreased in 2002 to 36.3% compared to 39.7% in 2001, partially a result of declining Canadian federal and provincial income tax rates. This decrease was also a result of the income tax impact of fair valuing the equity forwards and the impact of the new accounting standard that provides for the discontinuance of goodwill amortization, which together resulted in a decrease of approximately 2% in the Company's 2002 effective income tax rate. The 2003 effective income tax rate is expected to decline in accordance with previously announced federal and provincial budgetary income tax rate reductions.

NET EARNINGS Net earnings increased $165 million, or 29.3%, to $728 million from $563 million in 2001 due to the factors described in the above sections. Basic net earnings per common share increased 60 cents, or 29.4%, to $2.64 from $2.04 in 2001. After adjusting the 2001 basic net earnings per common share to exclude goodwill charges, basic net earnings per common share increased 44 cents, or 20.0%, on a comparable basis.

FINANCIAL CONDITION

FINANCIAL RATIOS In 2002, the Company maintained a consistent financial position as measured by its strong financial ratios, balance sheet and cash flow. This position is expected to continue in 2003. For the 14th consecutive year, the Company's net debt to equity ratio was better than the Company's internal guideline of a less than 1:1 ratio. The 2002 ratio of .71:1 compared to the 2001 ratio of .76:1. In 2002, shareholders' equity increased $555 million, or 16%, to $4.1 billion. The 2003 net debt to equity ratio is expected to improve slightly as retained earnings growth is expected to exceed debt financing requirements. Interest coverage ratio improved to 8.1 times compared to 7.2 times in 2001 mainly due to improved earnings.

The Company's 2002 return on average total assets was 13.7% compared to 13.4% in 2001. The return on average total assets continues to increase after accounting for the significant capital investment activity over the last few years. The Company's 2002 return on average shareholders' equity was 18.9% compared to the 2001 return of 16.8%. A portion of the improvement was due to the discontinuance of goodwill amortization in accordance with the new accounting standard. The five year average return on shareholders' equity was 16.0%.

COMMON DIVIDENDS The Company's dividend policy is to maintain a dividend payment equal to approximately 20% to 25% of the prior period's normalized basic net earnings per common share, giving consideration to the period end cash position, future cash flow requirements and investment opportunities. During 2002, the Company's Board of Directors (the "Board") declared quarterly dividends of 12 cents per common share. The annualized dividend per common share of 48 cents was equal to 23.5% of the 2001 basic net earnings per common share, which was within the Company's dividend policy range. Subsequent to period end, the Board declared a quarterly dividend of 15 cents per common share, payable April 1, 2003.

LIQUIDITY AND CAPITAL RESOURCES

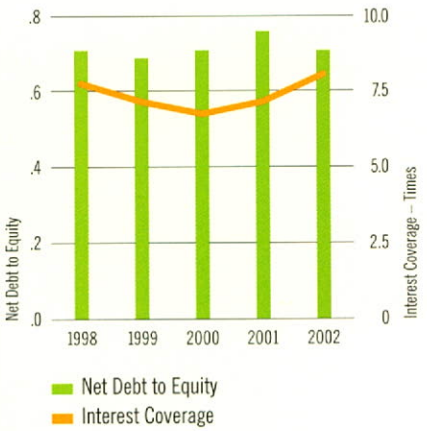
SOURCES OF LIQUIDITY The Company obtains its short term financing through a combination of cash generated from operating activities, cash, cash equivalents, short term investments, bank indebtedness and its commercial paper program. The Company's cash, cash equivalents and short term investments, as well as $845 million in operating lines of credit extended by several banks, support its $1.2 billion commercial paper program. The Company's commercial paper borrowings generally mature less than three months from the date of issuance although the term can be up to 364 days.

Securitization of credit card receivables provides President's Choice Bank ("PC Bank"), a wholly owned subsidiary of the Company, with an additional source of funds for the operation of its business. Under the PC Bank's securitization program, a portion of the total interest in the credit card receivables is sold to an independent Trust. PC Bank securitized $244 million of credit card receivables (2001 – $112 million) during 2002. Information on PC Bank's credit card receivables and securitization is set out in Note 5 to the consolidated financial statements.

The Company obtains its long term financing through its Medium Term Notes ("MTN") program. The Company plans to refinance existing long term debt as it matures and may obtain additional long term financing for other operating uses or strategic reasons.

In the normal course of business, the Company enters into certain arrangements such as providing comfort letters to third party lenders in connection with financing activities, including the financing obtained by certain franchisees (with no recourse liability to the Company), and establishing standby letters of credit. These arrangements are for varying terms. The aggregate gross potential liability related to the Company's standby letters of credit is approximately $179 million (2001 – $123 million) against which the Company has $256 million (2001 – $240 million) in credit facilities available to draw on. The Company has also provided a guarantee, on behalf of PC Bank, to MasterCard International Incorporated for $50 million U.S. (2001 – $12 million U.S.) relating to PC Bank's obligations to meet its settlement commitments arising from its credit card program.

Net Debt to Equity
and Interest Coverage



Total Assets and
Return on Average Total Assets
($ millions)

Cash Flows from Operating
Activities and Capital Investment
($ millions)

The Company has the following sources from which it can fund its 2003 cash requirements: cash, cash equivalents, short term investments, cash flows generated from operating activities, commercial paper program, MTN program and additional credit card receivables securitization from future growth in the PC Bank operations. In 2003, the Company anticipates no difficulty in obtaining long term financing in view of its current credit ratings, consistent with last year, and its past experience in the capital markets.

CREDIT RATINGS (CANADIAN STANDARDS)

	Dominion Bond Rating Service	Standard & Poor's
Commercial paper	R-1 (low)	A-1 (mid)
Medium term notes	A (high)	A
Other notes and debentures	A (high)	A

MAJOR CASH FLOW COMPONENTS

($ millions)	2002	2001	Change
Cash flows from operating activities	$ 981	$ 818	20%
Cash flows used in investing activities	$ (978)	$ (1,281)	(24%)
Cash flows from financing activities	$ 245	$ 352	(30%)

CASH FLOWS FROM OPERATING ACTIVITIES 2002 cash flows from operating activities increased $163 million, or 20%, to $981 million compared to $818 million in 2001. The increase resulted mainly from improved net earnings before depreciation and amortization offset by an increased investment in non-cash working capital. The 2002 working capital position was $372 million compared to $290 million in 2001. The change in working capital was due to an increase in short term debt borrowing offset by an increase in inventory levels and in credit card receivables (net of securitization). The increase in credit card receivables was mainly due to an increase in the number of accounts.

The 2003 cash flows from operating activities are expected to increase at a rate consistent with operating earnings growth and are expected to fund a significant portion of the Company's anticipated 2003 capital investment activity.

CASH FLOWS USED IN INVESTING ACTIVITIES 2002 cash flows used in investing activities were $978 million compared to $1,281 million in 2001.

Capital investment amounted to $1.1 billion (2001 – $1.1 billion), reflecting the Company's continuing commitment to maintain and renew its asset base and invest for growth in Canada. Approximately 80% of the capital investment was for new stores, renovations, or expansions. Other capital investments were for the distribution network, information systems and other infrastructure to support store growth. The Company's continued capital investment activity benefited all regions to varying degrees and strengthened its existing store base. Some of the new, larger stores replaced older, smaller, less efficient stores that did not offer the broad range of products and services demanded by today's consumer. The Company continued to roll out its new enlarged store layout, which is designed to accommodate a greater selection of general merchandise products.

The 2002 corporate and franchised store capital investment program increased net retail square footage by 6.9% over 2001, which includes the impact of store openings and closures during the period. During 2002, 75 (2001 – 61) new corporate and franchised stores were opened and 84 (2001 – 75) underwent renovation or minor expansion. The 75 new stores added 2.6 million square feet of retail space (2001 – 1.9 million), net of 58 (2001 – 62) store closures. The 2002 average corporate store size increased 5% to 48,900 square feet (2001 – 46,400) and the average franchised store size increased 2% to 23,400 square feet (2001 – 22,900).

The Company expects to continue its capital investment pace in 2003. Capital investment in 2003 is estimated at $1.3 billion, which includes approximately $179 million for projects-in-progress that the Company has effectively committed to complete. In 2003, the Company plans to open, expand or renovate more than 160 corporate and franchised stores throughout Canada in a geographic investment pattern similar to that of last year. This is expected to result in a net increase of approximately 2.4 million square feet, which should generate additional sales growth.

CAPITAL INVESTMENT AND STORE ACTIVITY

		2002	2001	Change
Capital investment ($ millions)		$ 1,079	$ 1,108	
Retail square footage (in millions)		40.4	37.8	7%
Average store size (sq. ft.)	Corporate	48,900	46,400	5%
	Franchised	23,400	22,900	2%

CASH FLOWS FROM FINANCING ACTIVITIES 2002 cash flows from financing activities were $245 million compared to $352 million in 2001. In the first quarter of 2002, the Company issued $200 million of 6.85% MTN due 2032 under its 2001 Base Shelf Prospectus, in the second quarter redeemed its $61 million Series 8, 10% Debentures, and in the fourth quarter repaid its $10 million 6.20% BA Range Note as it matured. Subsequent to period end, the Company issued $200 million of 6.54% MTN due 2033.

During 2001, the Company issued the remaining $440 million of MTN related to its 2000 Base Shelf Prospectus. During the first quarter of 2001, the Company filed another Base Shelf Prospectus to issue up to $1.5 billion of MTN, under which it issued $600 million in 2001. During 2001, the Company repaid its $100 million of Provigo Inc. Debentures and its $100 million 7.34% MTN as they matured, and redeemed its $50 million Series 5, 10% Debentures.

Proceeds from these MTN issues were used to repay short term commercial paper and to redeem/repay other long term debt.

The Company intends to renew its Normal Course Issuer Bid ("NCIB") to purchase on the Toronto Stock Exchange or enter into equity forwards to purchase up to 5% of its common shares outstanding. The Company believes that the market price of its common shares could be such that their purchase may be an attractive and appropriate use of funds in light of potential benefits to remaining shareholders. During 2002, the Company purchased for cancellation 309,000 (2001 – 12,600) of its common shares for $17 million (2001 – $1 million) and entered into equity forwards to buy 390,100 (2001 – 601,600) of its common shares pursuant to its NCIB.

Subsequent to period end, the Company purchased for cancellation 730,000 of its common shares for $41 million and entered into equity forwards to buy 1,103,500 of its common shares, at an average forward price of $56.39 with an initial term of 10 years, pursuant to its NCIB.

BASE SHELF PROSPECTUS	Base Shelf Prospectus Dated	
($ millions)	2001	2000
In 2000 issued MTN of		$ 560
In 2001 issued MTN of	$ 600	440
In 2002 issued MTN of	200	
Total issued against Base Shelf Prospectus	$ 800	$ 1,000
MTN issue limit	$ 1,500	$ 1,000
MTN available at period end 2002 (1)	$ 700	

(1) Subsequent to period end, issued MTN of $200 million.

OPERATING RISKS AND RISK MANAGEMENT

In the normal course of its business, the Company is exposed to operating risks that have the potential to affect its operating results. The Company has operating and risk management strategies which help to minimize these operating risks.

INDUSTRY AND COMPETITION The food distribution industry in Canada is a changing and competitive market. Consumer needs drive changes in the industry, which is impacted by changing demographic and economic trends such as changes in disposable income, increasing ethnic diversity, nutritional awareness and time availability. Over the last several years, consumers have demanded more quality, value and convenience. The Company monitors its market share and the retail market and will adjust its operating strategies which include, but are not limited to relocating stores or reformatting them under a different banner, reviewing pricing and adjusting product offerings and marketing programs. A significant competitive advantage the Company has developed is its control label program, which includes *President's Choice*, *PC*, *President's Choice Organics*, *no name*, *Club Pack*, *GREEN*, *TOO GOOD TO BE TRUE* and *EXACT*. This program enhances customer loyalty by offering superior value and provides some protection against national brand pricing strategies.

Customers can experience the simple and fresh flavours of the authentic Italian "cucina" through our *President's Choice Splendido* family of Italian inspired products, many of which are imported directly from Italy.

Every day, people turn to trusted *no name* items for quality and value. These iconic yellow packages can be found in the cupboards of many Canadian homes.

Recent industry changes have seen the introduction of non-traditional competitors, such as mass merchandisers and warehouse clubs, who continue to increase their offerings of products typically associated with supermarkets. In order to compete effectively and efficiently, the Company is developing and operating new departments and services that complement the traditional supermarket layout as well as enhancing its non-food product and service offerings.

The Company maintains a significant portfolio of owned retail real estate and, whenever practical, pursues a strategy of purchasing sites for future store locations. This enhances the Company's operating flexibility. At period end 2002, the Company owned 63% (2001 – 62%) of its corporate store square footage.

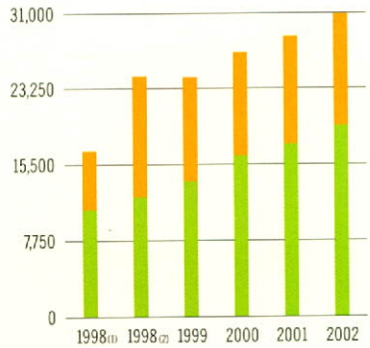
The Company continuously evaluates the markets it operates in and will enter new markets and review acquisitions when opportunities arise and will also exit a particular market and reallocate assets elsewhere when there is a strategic advantage in doing so.

The Company pursues a strategy of enhancing profitability on a market-by-market basis by using a multi-format approach. By operating across Canada through corporate stores, franchised stores and associated stores, and by servicing independent accounts, the Company strategically minimizes and balances its exposure to industry risk.

SEASONALITY The Company's operations as they relate to food, specifically inventory levels, sales volume and product mix, are impacted to some degree by certain holiday periods in the year. As the Company increases its offering of general merchandise it may increase the number of seasonal products offered and, therefore, its operations may be more subject to seasonal fluctuations.

THIRD PARTY SERVICE PROVIDERS *President's Choice Financial* services are provided by Amicus Bank, a member of the CIBC group of companies. PC Bank uses third party service providers to process credit card transactions, to operate call centres and to monitor credit and fraud for the *President's Choice Financial* MasterCard. In order to minimize operating risk, PC Bank and the Company actively manage and monitor their relationship with all third party service providers. PC Bank has developed a vendor management policy, approved by its Board of Directors and provides its Board with regular reports on vendor management and risk assessment.

Corporate Stores
Owned vs. Leased
(thousands of sq. ft.)



Owned
Leased

(1) Excluding acquisitions
(2) Including acquisitions, excluding 1999 dispositions

In addition the Company's control label products are manufactured under contract by third party vendors. The vendors are held to high standards of quality.

PENSION, POST-RETIREMENT AND POST-EMPLOYMENT BENEFITS In order to measure the obligations and expenses of pension, post-retirement and post-employment benefit plans, the Company is required to set various actuarial assumptions including a long term estimate of the expected rate of return on plan assets, discount rate and growth rate of health care costs. Because these assumptions are forward-looking and longer term in nature, actual results in the short term may differ.

The following table outlines the 2003 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses. The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities in each key variable have been calculated independently of any changes in other key variables. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce certain sensitivities. The impact of such changes is mitigated through the amortization of actuarial gains or losses in accordance with Canadian generally accepted accounting principles.

	Pension Benefit Plans		Other Benefit Plans	
($ millions except where otherwise indicated)	Accrued Benefit Plan Obligations	Benefit Plan Expense	Accrued Benefit Plan Obligations	Benefit Plan Expense
Expected long term rate of return on plan assets		8.0%		
Impact of: 1% increase		$ (6)		
1% decrease		$ 6		
Discount rate	6.5%	6.5%	6.2%	6.2%
Impact of: 1% increase	$ (101)	$ (14)	$ (17)	$ (2)
1% decrease	$ 116	$ 20	$ 19	$ 2
Growth rate of health care costs (1)			9.0%	9.0%
Impact of: 1% increase			$ 18	$ 4
1% decrease			$ (16)	$ (3)

(1) Trending to 5.0% in 2010 and remaining at that level thereafter.

For 2003, the Company has assumed an 8.0% (2002 – 8.0%) expected long term rate of return on plan assets based on the asset mix and the active management of its pension plan assets. At period end 2002, the Company's defined benefit pension plan assets had a 10 year annualized return of 9.5%.

Over the past three years, the poor performance in financial markets combined with interest rates at 40-year lows have negatively impacted the funding of the Company's defined benefit pension plans. During 2002, the Company contributed $13 million (2001 – $6 million) to its defined benefit pension plans. During 2003, the Company expects to contribute approximately $60 million to these plans. In addition, contributions are also made to various multi-employer defined benefit plans providing pension benefits in which approximately 54% of employees of the Company and its franchisees participate.

ELECTRICITY PRICES In 2002, the Government of Ontario deregulated the supply of electricity. In order to minimize the risk of higher electricity prices, the Board approved the Company's entry into a three year initial term electricity forward purchase contract, which expires May 2005. This contract maintains a portion of the Company's electricity costs at approximately 2001 rates.

LABOUR Low cost, non-union competitors continue to be a threat to the Company's cost structure. The Company is willing to accept the short term costs of labour disruption in order to negotiate competitive labour costs and operating conditions for the longer term. 2002 represented another year of significant labour negotiations across the Company. In 2002, 71 collective agreements were negotiated, of which 49 agreements were settled. The 2002 labour negotiations were challenging and resulted in two labour strikes of short duration – one in Ontario and one in Saskatchewan – which were ultimately resolved and resulted in collective agreements with terms of five and three years respectively. In 2003, 50 collective agreements affecting approximately 13,000 employees will expire, with the single largest agreement covering approximately 7,100 employees. The Company will also continue to negotiate the 33 collective agreements carried over from 2000, 2001 and 2002. The Company has good relations with its employees and unions, and, although it is possible, does not anticipate any unusual difficulties in renegotiating these agreements.

LEADERSHIP DEVELOPMENT The experience and skills of the Company's management team are critical to its growth initiatives and strategies. It is imperative that it continually develop its employees. Therefore, the Company has implemented a leadership training program to ensure the development of strong leaders at all levels throughout the Company and to reinforce its ability to sustain effective execution in the long term.

In 2002, the Company announced the building of a new office in Brampton that will consolidate eight administrative and operating offices in southern Ontario by the fall of 2004, which may result, in the short term, in some employee turnover.

INSURANCE The Company effectively limits its exposure to risk through a combination of appropriate levels of self-insurance and the purchase of an integrated insurance program. Insurance is arranged on a multi-year basis with reliable, financially stable insurance companies as rated by A.M. Best Company, Inc. The integrated insurance program will expire at the end of 2003. The Company is actively working with the current insurance providers to negotiate a multi-year program, as well as evaluating alternatives with other insurance providers. The Company combines comprehensive loss prevention programs and the active management of claims handling and litigation processes by using internal professionals and external technical expertise to reduce and manage the risk it retains.

In addition to our regular grocery section, customers can take advantage of our *Club Pack* section, which offers a wide selection of products at "warehouse club" prices and sizes with "no membership required".

Our new Maxi store in Verdun, Quebec offers customers "the lowest grocery bill"/ "le panier le moins cher" through a large selection of products that emphasize our everyday low prices.

FOOD SAFETY The Company has for many years had food safety procedures that proactively minimize food safety risks to the consumer. Food safety programs address safe food handling and preparation standards, ensure co-packing arrangements and suppliers of food product adhere to safe standards, and that best practices are in place for storage and distribution of food product. The Company is also intensifying the campaign for consumer awareness on safe food handling and consumption. In addition, procedures are in place to manage food crises, should they occur, which identify risks, ensure that communication with consumers is clear, immediate and precise, and ensure that potentially harmful products are removed from inventory immediately.

ENVIRONMENTAL, HEALTH AND SAFETY The Company has effective environmental programs in place and has established policies aimed at ensuring compliance with all applicable environmental legislative requirements. To this end, the Company has initiated environmental risk assessments and audits using internal and external resources as well as using communication tools to raise awareness among employees throughout its operating locations.

The Company endeavours to be socially and environmentally responsible, and recognizes that the competitive pressures for economic growth and cost efficiency must be integrated with environmental stewardship and ecological considerations. Environmental committees throughout the Company meet regularly to monitor and ensure the maintenance of responsible business operations. Environmental protection requirements do not and are not expected to have a material effect on the Company's financial condition and results of operations. The Company has a health and safety program that is designed to address health and wellness, workplace safety and compliance with internal and regulatory guidelines for occupational health and safety. This health and safety program is subject to compliance audits. Environmental risk assessments and compliance audits for health and safety are used as an effective means of identifying current and potential risks. The results show that there are no significant issues or risks to report. The Environmental, Health and Safety Committee of the Board receives reports which review outstanding issues, identify new legislative concerns and outline related communication efforts.

FINANCIAL RISKS AND RISK MANAGEMENT

In the normal course of its business, the Company is exposed to financial risks that have the potential to affect its operating results. These risks and the actions taken to minimize them are discussed below.

The Company maintains treasury centres that operate under policies and guidelines approved by the Board, covering funding, investing, foreign exchange, equity and interest rate management. The Company's policies and guidelines prevent it from using any financial instrument for speculative purposes. Risks relating to the Company's financing activities include changes in interest rates, foreign currency exchange rates and the market price of the Company's common shares. The Company uses financial instruments, specifically cross currency basis swaps, interest rate swaps and equity forwards to minimize the risks and costs associated with its financing activities and its stock-based compensation plans. See Note 14 to the consolidated financial statements for detailed information on the Company's financial instruments.

COUNTERPARTY The successful completion of a financial transaction depends on the ability of both parties to meet their financial commitments under the contract. The Company has sought to minimize potential counterparty risk and losses by implementing a policy which allows such transactions only with counterparties that have at a minimum an A rating by Standard & Poor's or Dominion Bond Rating Service, placing risk adjusted limits on its exposure to any single counterparty and having master netting agreements with its counterparties. These netting agreements allow for the legal right to settle different transactions with the same counterparty on a net basis.

CREDIT The Company's exposure to credit risk relates mainly to PC Bank's credit card receivables. PC Bank manages the *President's Choice Financial* MasterCard and the *PC* points loyalty program. PC Bank grants credit to its customers on *President's Choice Financial* MasterCard with the intention of increasing the loyalty of those customers and the Company's profitability. In order to minimize the associated credit risk, PC Bank employs credit scoring techniques which are considered leading in the industry; actively monitors the credit card portfolio; and reviews techniques and technology that can improve the effectiveness of its collection process.

FOREIGN EXCHANGE The Company enters into cross currency basis swaps, to manage its current and anticipated exposure to fluctuations in foreign currency exchange rates. These agreements limit its exposure against foreign currency exchange rate fluctuations on the Company's United States dollar denominated net assets, principally cash, cash equivalents and short term investments.

INTEREST RATE The Company enters into interest rate swaps to manage its current and anticipated exposure to fluctuations in interest rates and market liquidity. The Company monitors market conditions and the impact of interest rate fluctuations on its fixed/floating interest rate exposure mix on an ongoing basis.

COMMON STOCK MARKET PRICE The Company enters into equity forwards to manage its current and anticipated exposure to fluctuations in its stock-based compensation cost as a result of changes in the market price of its common shares. These forwards change in value as the market price of the underlying common shares changes and effectively result in a partial offset to fluctuations in the Company's stock-based compensation cost.

ACCOUNTING STANDARDS IMPLEMENTED IN 2002

Effective December 30, 2001, the Company implemented two new Canadian accounting standards – Section 3870 "Stock-based Compensation and Other Stock-based Payments" and Section 3062 "Goodwill and Intangible Assets" (see Note 1 to the consolidated financial statements). The cumulative effect of implementing Section 3870 was a net decrease to retained earnings of $25 million ($80 million less future income tax recoverable of $23 million and the $32 million fair value impact of the equity forwards). Under Section 3062, goodwill is no longer amortized but instead the carrying value of goodwill must be tested annually for impairment. The Company performed the annual impairment test for goodwill and determined that there was no impairment to the carrying value of goodwill. If this new standard had been applied to 2001 results, net earnings would have increased $43 million and basic net earnings per common share would have increased 16 cents.

FUTURE ACCOUNTING STANDARDS

The Canadian Institute of Chartered Accountants (the "CICA") issued several new accounting pronouncements, some of which are being revised, which the Company will be required to adopt in the future. The Company closely monitors changes in accounting standards and is assessing the impact, if any, on its consolidated financial statements of the following pronouncements:

- Accounting Guideline 14 – "Disclosure of Guarantees". This guideline requires a guarantor to disclose significant information about guarantees it has provided without regard to the probability that the guarantor will have to make any payments under those guarantees, and is in addition to the requirements under Section 3290, "Contingencies". This guideline is effective for interim and annual periods beginning on or after January 1, 2003 and will be implemented in the first quarter of 2003.
- Section 3063 – "Impairment of Long-Lived Assets" and revised Section 3475 "Disposal of Long-Lived Assets and Discontinued Operations". Section 3063 establishes standards for the recognition, measurement, presentation and disclosure of impairment of long-lived assets that are held for use and is effective for fiscal years beginning on or after April 1, 2003. The Company intends to implement Section 3063 in the first quarter of 2004. The revised Section 3475 establishes the criteria for recognition, measurement, presentation and disclosure of disposal of long-lived assets including the presentation and disclosure of discontinued operations and is applicable for disposal activities initiated after May 1, 2003.
- Accounting Guideline 13 – "Hedging Relationships". This guideline addresses the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. This guideline is under review by the CICA and will be reissued. The effective implementation date was deferred to fiscal years beginning on or after July 1, 2003.
- Draft Accounting Guideline – "Consolidation of Special Purpose Entities" ("SPE"). This draft guideline establishes the principles for determining when an entity should consolidate the activities of an SPE in its consolidated financial statements. This draft guideline is being reviewed by the CICA and is expected to be reissued.
- Exposure draft amending Section 3870 "Stock-based Compensation and Other Stock-based Payments". The proposed amendments would require the recognition of expenses for all employee stock-based compensation transactions and eliminate the current option to disclose the effect of such transactions on net earnings and net earnings per share on a pro forma basis. These amendments would be effective for fiscal years beginning on or after January 1, 2004.

OUTLOOK

The Company had another strong year in 2002, maintaining a consistent financial position and good cash flow generation, while continuing its $1.1 billion capital investment program. Management believes the financial strength of the Company and the strategic deployment of its financial resources will allow for the continued successful implementation of the Company's operating and financial strategies. The Company plans to continue its capital investment program, adding new retail outlets, renovating and expanding others and continuing the investment in the warehouse and distribution network. We anticipate another successful year for the Company in 2003.

QUARTERLY FINANCIAL INFORMATION

The following is a summary of selected quarterly financial information. Each quarter represents a 12 week period, except the third quarter, which represents a 16 week period.

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
OPERATING RESULTS ($ MILLIONS)						
Sales	2002	$ 4,951	$ 5,308	$ 7,178	$ 5,645	$23,082
	2001	$ 4,545	$ 4,985	$ 6,703	$ 5,253	$21,486
EBITDA	2002	$ 313	$ 354	$ 455	$ 535	$ 1,657
	2001	$ 274	$ 309	$ 393	$ 475	$ 1,451
Operating income	2002	$ 234	$ 274	$ 346	$ 449	$ 1,303
	2001	$ 204	$ 239	$ 296	$ 397	$ 1,136
Interest expense	2002	$ 34	$ 39	$ 50	$ 38	$ 161
	2001	$ 38	$ 35	$ 51	$ 34	$ 158
Income taxes	2002	$ 74	$ 86	$ 108	$ 146	$ 414
	2001	$ 63	$ 79	$ 94	$ 136	$ 372
Net earnings	2002	$ 126	$ 149	$ 188	$ 265	$ 728
	2001	$ 93	$ 115	$ 138	$ 217	$ 563
EARNINGS PER COMMON SHARE ($)						
Basic						
Net earnings	2002	$ .46	$ .54	$ .68	$ .96	$ 2.64
	2001	$ .34	$ .41	$ .50	$ .79	$ 2.04
Earnings before goodwill charges	2002	$ .46	$ .54	$ .68	$ .96	$ 2.64
	2001	$ .38	$ .45	$ .55	$ .82	$ 2.20
Diluted						
Net earnings	2002	$ .46	$ .53	$ .68	$ .95	$ 2.62
	2001	$ .34	$ .41	$ .50	$ .78	$ 2.03
Earnings before goodwill charges	2002	$ .46	$ .53	$ .68	$ .95	$ 2.62
	2001	$ .38	$ .45	$ .55	$ .81	$ 2.19

financial results

MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Loblaw Companies Limited is responsible for the preparation, presentation and integrity of the accompanying consolidated financial statements, Management's Discussion and Analysis and all other information in this Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgements and estimates necessary to prepare the consolidated financial statements in accordance with Canadian generally accepted accounting principles. It also includes ensuring that the financial information presented elsewhere in this Annual Report is consistent with the consolidated financial statements.

To provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced, management maintains a system of internal controls reinforced by the Company's standards of conduct and ethics set out in written policies. Internal auditors, who are employees of the Company, review and evaluate internal controls on management's behalf, coordinating this work with the independent auditors. KPMG LLP, whose report follows, were appointed as independent auditors by a vote of the Company's shareholders to audit the consolidated financial statements.

The Board of Directors, acting through an Audit Committee comprised solely of directors who are unrelated and independent to the Company, is responsible for determining that management fulfills its responsibilities in the preparation of the consolidated financial statements and the financial control of operations. The Audit Committee recommends the independent auditors for appointment by the shareholders. The Audit Committee meets regularly with financial management, internal auditors and the independent auditors to discuss internal controls, auditing matters and financial reporting issues. The independent auditors and internal auditors have unrestricted access to the Audit Committee. These consolidated financial statements and Management's Discussion and Analysis have been approved by the Board of Directors for inclusion in this Annual Report based on the review and recommendation of the Audit Committee.

Toronto, Canada
March 4, 2003

John A. Lederer
PRESIDENT

Richard P. Mavrinac
EXECUTIVE VICE PRESIDENT

Stephen A. Smith
EXECUTIVE VICE PRESIDENT

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Loblaw Companies Limited:

We have audited the consolidated balance sheets of Loblaw Companies Limited as at December 28, 2002 and December 29, 2001 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 Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit 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 consolidated 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 28, 2002 and December 29, 2001 and the results of its operations and its cash flow for the periods then ended in accordance with Canadian generally accepted accounting principles.

KPMG

Toronto, Canada
March 4, 2003

KPMG LLP
Chartered Accountants

CONSOLIDATED STATEMENTS OF EARNINGS

52 Weeks Ended December 28, 2002 ($ millions except where otherwise indicated)	2002	2001
SALES	$ 23,082	$ 21,486
OPERATING EXPENSES		
Cost of sales, selling and administrative expenses	21,425	20,035
Depreciation	354	315
	21,779	20,350
OPERATING INCOME	1,303	1,136
Interest Expense (note 2)	161	158
EARNINGS BEFORE INCOME TAXES	1,142	978
Income Taxes (note 6)	414	372
EARNINGS BEFORE GOODWILL CHARGES	728	606
Goodwill Charges (2001 – net of tax of $1) (note 1)		43
NET EARNINGS	$ 728	$ 563
EARNINGS PER COMMON SHARE ($) (note 3)		
Basic		
Net earnings	$ 2.64	$ 2.04
Earnings before goodwill charges	$ 2.64	$ 2.20
Diluted		
Net earnings	$ 2.62	$ 2.03
Earnings before goodwill charges	$ 2.62	$ 2.19

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

52 Weeks Ended December 28, 2002 ($ millions except where otherwise indicated)	2002	2001
RETAINED EARNINGS, BEGINNING OF PERIOD	$ 2,375	$ 1,930
Impact of implementing new accounting standard (note 1)	(25)	
Net earnings	728	563
Premium on common shares purchased for cancellation (note 12)	(16)	(1)
Net stock option plan cash payments (note 13)		(7)
Dividends declared per common share – 48¢ (2001 – 40¢)	(133)	(110)
RETAINED EARNINGS, END OF PERIOD	$ 2,929	$ 2,375

See accompanying notes to the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

As at December 28, 2002 ($ millions)	2002	2001
ASSETS		
Current Assets		
Cash and cash equivalents (note 4)	$ 823	$ 575
Short term investments (note 4)	304	426
Accounts receivable (note 5)	605	472
Inventories	1,702	1,512
Future income taxes (note 6)	68	73
Prepaid expenses and other assets	24	28
Total Current Assets	3,526	3,086
Fixed Assets (note 7)	5,587	4,931
Goodwill	1,599	1,599
Future Income Taxes (note 6)	15	26
Other Assets (note 8)	383	383
TOTAL ASSETS	$ 11,110	$ 10,025
LIABILITIES		
Current Liabilities		
Bank indebtedness		$ 95
Commercial paper	$ 533	191
Accounts payable and accrued liabilities	2,336	2,291
Income taxes	179	138
Long term debt due within one year (note 10)	106	81
Total Current Liabilities	3,154	2,796
Long Term Debt (note 10)	3,420	3,333
Future Income Taxes (note 6)	68	49
Other Liabilities (note 11)	344	278
TOTAL LIABILITIES	6,986	6,456
SHAREHOLDERS' EQUITY		
Common Share Capital (note 12)	1,195	1,194
Retained Earnings	2,929	2,375
TOTAL SHAREHOLDERS' EQUITY	4,124	3,569
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 11,110	$ 10,025

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board

W. Galen Weston
DIRECTOR

T. Iain Ronald
DIRECTOR

CONSOLIDATED CASH FLOW STATEMENTS

52 Weeks Ended December 28, 2002 ($ millions)	2002	2001
OPERATING ACTIVITIES		
Net earnings	$ 728	$ 563
Depreciation and amortization	354	359
Future income taxes	37	44
Change in non-cash working capital	(142)	(102)
Acquisition restructuring and other charges, including income tax recoveries	(26)	(50)
Other	30	4
CASH FLOWS FROM OPERATING ACTIVITIES	981	818
INVESTING ACTIVITIES		
Fixed asset purchases	(1,079)	(1,108)
Short term investments	122	(62)
Proceeds from fixed asset sales	63	44
Franchise investments, other receivables and credit card receivables	(107)	(128)
Other	23	(27)
CASH FLOWS USED IN INVESTING ACTIVITIES	(978)	(1,281)
FINANCING ACTIVITIES		
Bank indebtedness	(95)	(108)
Commercial paper	342	(236)
Long term debt (note 10)		
– Issued	200	1,040
– Retired	(77)	(252)
Common share capital (note 12)		
– Issued	2	
– Retired	(17)	(1)
Dividends	(127)	(110)
Other	17	19
CASH FLOWS FROM FINANCING ACTIVITIES	245	352
Change in Cash and Cash Equivalents	248	(111)
Cash and Cash Equivalents, Beginning of Period	575	686
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 823	$ 575

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

52 Weeks Ended December 28, 2002 ($ millions except where otherwise indicated)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

BASIS OF CONSOLIDATION The consolidated financial statements include the accounts of Loblaw Companies Limited and its subsidiaries (the "Company"). The Company's interest in the voting share capital of its subsidiaries is 100%.

FISCAL PERIOD The fiscal period of the Company consists of a 52 or 53 week period ending on the Saturday closest to December 31. Each of the periods ended December 28, 2002 and December 29, 2001 contain 52 weeks.

REVENUE RECOGNITION Sales include revenues from customers through corporate stores operated by the Company and sales to and service fees from its franchised store, associated store and independent account customers, but exclude intercompany sales. The Company recognizes revenue at the time the sale is made to its customer.

EARNINGS PER SHARE ("EPS") Basic EPS is calculated by dividing the earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted EPS is calculated using the treasury stock method, which assumes that all stock options with an exercise price below average market price are exercised and the assumed proceeds are used to purchase common shares of the Company at the average market price during the period.

CASH, CASH EQUIVALENTS AND BANK INDEBTEDNESS Cash balances for which the Company has the ability and intent to offset are used to reduce reported bank indebtedness. Cash equivalents are highly liquid investments with a maturity of less than 90 days.

SHORT TERM INVESTMENTS Short term investments are carried at the lower of cost or quoted market value and consist primarily of United States government securities, commercial paper and bank deposits.

CREDIT CARD RECEIVABLES The Company, through President's Choice Bank ("PC Bank"), a wholly owned subsidiary of the Company, has credit card receivables that are stated net of an allowance for credit losses. Any credit card receivable that has a payment that is contractually 180 days in arrears or where the likelihood of collection is considered remote is written off. Interest charges are recorded when billed to customers and recognized in the Company's operating income.

ALLOWANCE FOR CREDIT LOSSES PC Bank maintains a general allowance for credit losses which, in management's opinion, is considered adequate to absorb all credit-related losses in its credit card receivable portfolio, based upon an analysis of past performance and market conditions. The allowance for credit losses is deducted from the credit card receivable balance.

The amount of the allowance for credit losses recognized in the Company's operating income is the net credit loss experience for the period.

SECURITIZATION PC Bank securitizes credit card receivables through the sale of a portion of the total interest in these receivables to an independent Trust and does not exercise any control over the Trust's management, administration or assets. When PC Bank sells credit card receivables in a securitization transaction, it has a retained interest in the securitized receivables represented by a cash reserve account and the right to future cash flows after obligations to investors have been met. Although PC Bank remains responsible for servicing all credit card receivables, it does not receive additional compensation for servicing those credit card receivables sold to the Trust. Any gain or loss on the sale of these receivables depends, in part, on the previous carrying amount of receivables involved in the securitization allocated between the receivables sold and the retained interest based on the relative fair values at the date of securitization. The fair values are determined using a financial model. Any gain or loss on a sale is recognized in operating income at the time of the securitization.

INVENTORIES Retail store inventories are stated at the lower of cost and estimated net realizable value less normal profit margin. Wholesale inventories are stated at the lower of cost and estimated net realizable value. Cost is determined substantially using the first-in, first-out method.

FIXED ASSETS Fixed assets are recorded at cost including capitalized interest. Depreciation commences when the assets are put into use and is recognized principally on a straight-line basis to depreciate the cost of these assets over their estimated useful lives. Estimated useful lives range from 20 to 40 years for buildings and from 3 to 10 years for equipment and fixtures. Leasehold improvements are depreciated over the lesser of the applicable useful life and the term of the lease plus one renewal period to a maximum of 10 years.

GOODWILL Goodwill represents the excess of the purchase price of a business acquired over the fair value of the underlying net assets acquired at the date of acquisition.

Effective December 30, 2001, the Company prospectively implemented the new standard issued by the Canadian Institute of Chartered Accountants (the "CICA") on goodwill and intangible assets. Under the new standard, goodwill is no longer amortized but instead the carrying value of goodwill must be tested annually for impairment. In addition, the amortization of intangible assets is no longer required unless the intangible asset has a limited life, in which case it will be amortized over its estimated useful life. Intangible assets not subject to amortization must be tested annually for impairment. Any impairment in the carrying value of goodwill or intangible assets will be recognized in net earnings.

A review of the business combinations completed prior to July 1, 2001 was performed and no change was required to the carrying value of goodwill and no previously unrecognized intangible assets were recorded. The Company performed the annual impairment test for goodwill and determined that there was no impairment to the carrying value of goodwill.

Goodwill in 2001 was amortized on a straight-line basis over the estimated useful life of the benefit determined for each acquisition. Any permanent impairment in value, based on projected cash flows, was recognized in net earnings.

FOREIGN CURRENCY TRANSLATION Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at each period end date. Exchange gains or losses arising from the translation of these balances denominated in foreign currencies are recognized in net earnings. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the average exchange rates for the period.

FINANCIAL DERIVATIVE INSTRUMENTS The Company uses derivative agreements in the form of cross currency basis swaps, interest rate swaps and equity forwards to manage its current and anticipated exposure to fluctuations in exchange rates, interest rates and the market price of the Company's common shares. The Company does not enter into financial derivative agreements for speculative purposes.

Cross currency basis swaps are identified as a hedge against the foreign currency exchange rate fluctuations on the Company's United States dollar denominated net assets, principally cash, cash equivalents and short term investments. Realized and unrealized foreign currency exchange rate adjustments on cross currency basis swaps are offset by realized and unrealized foreign currency exchange rate adjustments on the Company's United States dollar denominated net assets and are recognized in operating income. Unrealized foreign currency exchange rate adjustments are recorded in other liabilities. The exchange of interest payments on the cross currency basis swaps is recognized on an accrual basis.

Interest rate swaps are identified as a hedge against interest rate fluctuations because they offset the interest rate exposure on the underlying hedged items. The exchange of interest payments on the interest rate swaps is recognized on an accrual basis and unrealized gains or losses are not recognized.

Equity forwards partially offset fluctuations in the Company's stock-based compensation cost because they change in value as the market price of the underlying common shares changes. Market price adjustments are recognized in operating income and recorded in accounts receivable. Interest on the equity forwards is recognized on an accrual basis.

The Company entered into an electricity forward purchase contract to purchase a portion of its electricity needs in the province of Ontario. This contract is identified as a hedge of an anticipated transaction as it partially offsets the volatility in the price of electricity.

INCOME TAXES The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the periods in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in net earnings in the period that includes the date of enactment or substantive enactment. Future income tax assets are evaluated and a valuation allowance, if required, is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

PENSION, POST-RETIREMENT AND POST-EMPLOYMENT BENEFITS The cost of the Company's defined benefit pension plans, post-retirement and post-employment benefits is accrued based on actuarial valuations, which are determined using the projected benefit method pro-rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs. Market values are used to value pension and other benefit plan assets. Employee future benefits are measured using current market interest rates assuming a portfolio of Corporate AA bonds with terms to maturity that, on average, match the terms of the liabilities. Past service costs from plan amendments and the excess net actuarial gain or loss over 10% of the greater of the accrued benefit plan obligation and the market value of the plan assets are amortized on a straight-line basis over the average remaining service period of the active employees, ranging from 6 to 18 years with a weighted average of 13 years at period end. The cost of pension benefits for defined contribution plans and the multi-employer defined benefit pension plans are expensed as the contributions are paid.

STOCK-BASED COMPENSATION Effective December 30, 2001, the Company implemented the new standard issued by the CICA on stock-based compensation and other stock-based payments. The standard was implemented retroactively without restatement of the prior period consolidated financial statements. The cumulative effect of implementation was a decrease to retained earnings of $25 ($80 less future income tax recoverable of $23 and the $32 fair value impact of the equity forwards).

The Company recognizes in operating income a compensation cost related to employee stock option grants that allow for settlement in shares or in the share appreciation value in cash at the option of the employee, which is accounted for using the intrinsic value method. A change in the intrinsic value between the grant date and period end date will result in a change in the compensation cost recognized.

The Company accounts for stock option grants issued prior to December 30, 2001 that will be settled by issuing common shares as capital transactions. Consideration paid by employees on the exercise of this type of stock option is credited to common share capital. This type of option was last issued in 2001 and represents 4% of all options outstanding.

During 2001, consideration paid by employees on the exercise of a stock option grant that was settled by issuing common shares was credited to common share capital. The cash payment (net of applicable taxes), for those stock option grants that employees exercised and elected to receive in cash the share appreciation value equal to the excess of the market price of the common shares at the date of exercise over the specified stock option price, was charged to retained earnings.

The Company maintains an Employee Share Ownership Plan for its employees. The Company contributes 15% of each employee's contribution to the plan, which is recognized in operating income as a compensation cost when the contribution is made.

Outside members of the Company's Board of Directors may elect annually to receive all or a portion of their annual retainer(s) and fees in the form of deferred share units. The deferred share unit obligation is accounted for using the intrinsic value method and the period over period change in the deferred share unit obligation is recognized in operating income.

USE OF ESTIMATES AND ASSUMPTIONS The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and assumptions are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results could differ from these estimates.

COMPARATIVE INFORMATION Certain prior period's information was reclassified to conform with the current period's presentation.

NOTE 2. INTEREST EXPENSE

	2002	2001
Interest on long term debt	$ 246	$ 223
Other long term interest	(38)	(15)
	208	208
Net short term interest	(17)	(23)
Capitalized to fixed assets	(30)	(27)
Interest expense	$ 161	$ 158

Net interest paid in 2002 was $185 (2001 – $191).

NOTE 3. BASIC AND DILUTED NET EARNINGS PER COMMON SHARE

	2002	2001
Net earnings	$ 728	$ 563
Weighted average common shares outstanding (in millions)	276.2	276.2
Dilutive effect of stock-based compensation (in millions)	1.7	1.9
Diluted weighted average common shares outstanding (in millions)	277.9	278.1
Basic net earnings per common share ($)	$ 2.64	$ 2.04
Dilutive effect of stock-based compensation per common share ($)	(0.02)	(0.01)
Diluted net earnings per common share ($)	$ 2.62	$ 2.03

NOTE 4. CASH, CASH EQUIVALENTS AND SHORT TERM INVESTMENTS

At period end, the Company had $1.1 billion (2001 – $993) in cash, cash equivalents and short term investments held by Glenhuron Bank Limited ("Glenhuron"), a wholly owned subsidiary of the Company in Barbados. The $24 (2001 – $50) of income from the cash, cash equivalents and short term investments was recognized in net short term interest.

NOTE 5. CREDIT CARD RECEIVABLES

During 2002, the Company, through PC Bank securitized $244 (2001 – $112) of credit card receivables, yielding a minimal gain in both years, inclusive of a $2 (2001 – $3) servicing liability, on the initial sale. Servicing liabilities expensed during the year were $4 (2001 – nil) and the fair value of recognized servicing liabilities was $4 (2001 – $3). The Trust's recourse to PC Bank's assets is limited to PC Bank's retained interest and is further supported by the Company through a standby letter of credit for 15% of the securitized amount.

	2002	2001
Credit card receivables	$ 502	$ 166
Amount securitized	(356)	(112)
Net credit card receivables	$ 146	$ 54
Net credit loss experience	$ 6	$ 5

For 2002, the key economic assumptions used in measuring the securitization gain and the sensitivity of the current fair value of retained interests to an immediate 10% and 20% adverse change in those assumptions were as follows:

		Change in Assumptions	
	2002	(10%)	(20%)
Carrying amount of retained interests	$ 5		
Payment rate (monthly)	51.0%		
Weighted average life (in years)	0.5		
Expected credit losses (annual)	3.4%	$ (0.2)	$ (0.4)
Discounted residual cash flows (annual)	17.4%	$ (0.7)	$ (1.5)

The details on the cash flows from securitization were as follows:

	2002	2001
Proceeds from new securitizations	$ 244	$ 112
Net cash flows received on retained interests	$ 23	$ 1

NOTE 6. INCOME TAXES

The Company's effective income tax rate in the consolidated statements of earnings is reported at a rate less than the weighted average basic Canadian federal and provincial statutory income tax rate for the following reasons:

	2002	2001
Weighted average basic Canadian federal and provincial statutory income tax rate	38.6%	41.2%
Net decrease resulting from:		
Operating in countries with lower effective income tax rates	(2.9)	(3.0)
Non-taxable amounts (including capital gains/losses)	(0.1)	(0.9)
Large corporation tax	0.7	0.7
Substantively enacted changes in income tax rates		(0.1)
Effective income tax rate before goodwill charges	36.3	37.9
Non-deductible goodwill charges		1.8
Effective income tax rate	36.3%	39.7%

Net income taxes paid in 2002 were $323 (2001 – $277).

In 2001, the effect of the reduction in the Ontario provincial income tax rate of 1.5% in each of 2002, 2003, 2004 and 2005 was recognized as a $1 reduction to the future income tax expense. The deferral by one year of the reduction in the Ontario provincial income tax rate, which was announced in 2002, did not have a significant impact on the future income tax expense.

The income tax effects of temporary differences that gave rise to significant portions of the future income tax assets and future income tax liabilities were as follows:

	2002	2001
FUTURE INCOME TAX ASSETS		
Accounts payable and accrued liabilities	$ 62	$ 69
Long term debt (including amounts due within one year)	11	14
Other liabilities	55	51
Losses carried forward (expiring 2008)	20	20
	$ 148	$ 154
FUTURE INCOME TAX LIABILITIES		
Fixed assets	$ 132	$ 97
Other	1	7
	$ 133	$ 104

NOTE 7. FIXED ASSETS

	2002			2001		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Properties held for development	$ 336		$ 336	$ 248		$ 248
Properties under development	234		234	206		206
Land	1,201		1,201	1,067		1,067
Buildings	2,983	$ 552	2,431	2,576	$ 476	2,100
Equipment and fixtures	2,421	1,415	1,006	2,153	1,221	932
Leasehold improvements	599	233	366	565	205	360
	7,774	2,200	5,574	6,815	1,902	4,913
Capital leases – buildings and equipment	83	70	13	83	65	18
	$ 7,857	$ 2,270	$ 5,587	$ 6,898	$ 1,967	$ 4,931

NOTE 8. OTHER ASSETS

	2002	2001
Franchise investments and other receivables	$ 300	$ 285
Accrued pension and other benefit plans (note 9)	37	37
Deferred charges and other	46	61
	$ 383	$ 383

NOTE 9. PENSION, POST-RETIREMENT AND POST-EMPLOYMENT BENEFITS

The Company has a number of defined benefit and defined contribution plans providing pension and other retirement and post-employment benefits to certain employees. The Company also contributes to various multi-employer defined benefit plans providing pension benefits.

Information about the Company's defined benefit plans other than the multi-employer defined benefit plans, in aggregate, was as follows:

	2002		2001	
	Pension Benefit Plans	Other Benefit Plans	Pension Benefit Plans	Other Benefit Plans
BENEFIT PLAN ASSETS				
Fair value, beginning of period	$ 690	$ 16	$ 834	$ 13
Actual return on plan assets	(19)	4	(95)	1
Employer contributions	13	13	6	10
Employees' contributions	2		2	
Benefits paid	(51)	(10)	(51)	(8)
Settlement gain			(3)	
Other	(7)		(3)	
Fair value, end of period	$ 628	$ 23	$ 690	$ 16
ACCRUED BENEFIT PLAN OBLIGATIONS				
Balance, beginning of period	$ 692	$ 103	$ 690	$ 99
Current service cost	21	2	21	5
Interest cost	52	7	48	7
Benefits paid	(51)	(10)	(51)	(8)
Actuarial loss (gain)	106	64	(18)	
Plan amendments	(1)		5	
Settlement gain			(3)	
Other	(2)			
Balance, end of period	$ 817	$ 166	$ 692	$ 103
DEFICIT OF PLAN ASSETS VERSUS PLAN OBLIGATIONS	$ (189)	$ (143)	$ (2)	$ (87)
Unamortized past service costs	3		4	
Unamortized net actuarial losses (gains)	168	56	(11)	(5)
Net accrued benefit plan liability	$ (18)	$ (87)	$ (9)	$ (92)
Accrued benefit plan asset included in other assets	$ 31	$ 6	$ 37	
Accrued benefit plan liability included in other liabilities	(49)	(93)	(46)	$ (92)
Net accrued benefit plan liability	$ (18)	$ (87)	$ (9)	$ (92)

At period end 2002, the deficit of plan assets versus plan obligations for those pension benefit plans and post-employment benefit plans where the accrued benefit plan obligations exceeded the fair value of benefit plan assets were $193 and $14, respectively (2001 – $54 and $4). There were no plan assets in non-registered pension plans. All the Company's post-retirement benefit plans also had no plan assets and, at period end 2002, had an aggregate accrued benefit plan obligation of $129 (2001 – $83).

The significant annual weighted average actuarial assumptions were as follows:

	2002		2001	
	Pension Benefit Plans	Other Benefit Plans	Pension Benefit Plans	Other Benefit Plans
Discount rate	6.5%	6.2%	7.5%	6.9%
Expected long term rate of return on plan assets	8.0%	5.0%	8.0%	6.0%
Rate of compensation increase	3.5%		3.5%	

The expected long term rates of return on pension benefit plans and other benefit plans assets used in calculating the Company's net defined benefit plan expense were 8.0% and 6.0%, respectively (2001 – 8.0% and 6.0%).

The Company's growth rate of health care costs, primarily drug costs, was estimated at 9.0% (2001 – 9.0%), with the rate trending to 5.0% in 2010 and remaining at that level thereafter.

The accrued benefit plan obligations and the fair value of the benefit plan assets were determined using a September 30 measurement date.

The total net expense for the Company's benefit plans and the multi-employer defined benefit plans was as follows:

	2002		2001	
	Pension Benefit Plans	Other Benefit Plans	Pension Benefit Plans	Other Benefit Plans
Current service cost	$ 19	$ 2	$ 19	$ 5
Interest cost on plan liabilities	52	7	48	7
Expected return on plan assets	(54)	(1)	(65)	(1)
Amortization of net actuarial gains			(6)	(1)
Other	1			
Net defined benefit plan expense (income)	18	8	(4)	10
Defined contribution plan expense	5		5	
Multi-employer defined benefit plans expense	33		30	
Net benefit plan expense	$ 56	$ 8	$ 31	$ 10

NOTE 10. LONG TERM DEBT

	2002	2001
LOBLAW COMPANIES LIMITED DEBENTURES		
Series 8, 10%, due 2007, redeemed in 2002 (i)		$ 61
PROVIGO INC. DEBENTURES		
Series 1997, 6.35%, due 2004	$ 100	100
Series 1996, 8.70%, due 2006	125	125
Other (ii)	13	17
LOBLAW COMPANIES LIMITED NOTES		
6.20%, BA Range Note, due 2002 (i)		10
6.60%, due 2003	100	100
6.95%, due 2005	200	200
6.00%, due 2008	390	390
5.75%, due 2009	125	125
7.10%, due 2010	300	300
6.50%, due 2011	350	350
6.00%, due 2014	100	100
7.10%, due 2016	300	300
6.65%, due 2027	100	100
6.45%, due 2028	200	200
6.50%, due 2029	175	175
11.40%, due 2031		
– principal	151	151
– effect of coupon repurchase	(4)	1
6.85%, due 2032 (i)	200	
8.75%, due 2033	200	200
6.45%, due 2039	200	200
7.00%, due 2040	150	150
Other at a weighted average interest rate of 10.74%, due 2003 to 2040	51	59
Total long term debt	3,526	3,414
Less amount due within one year	106	81
	$ 3,420	$ 3,333

The five year schedule of repayment of long term debt based on maturity is as follows: 2003 – $106; 2004 – $106; 2005 – $215; 2006 – $129; 2007 – $5.

(i) During 2002, the Company repaid its $10 6.20% BA Range Note as it matured, redeemed its $61 Series 8, 10% Debentures in accordance with their terms and issued $200 of Medium Term Notes ("MTN") with an interest rate of 6.85% due 2032.

(ii) **PROVIGO INC. DEBENTURES** – Other of $13 (2001 – $17) represents the unamortized portion of the adjustment to fair value the Provigo Inc. Debentures. This adjustment was recorded as part of the Provigo purchase equation and was calculated using the Company's average credit spread applicable to the remaining life of the Provigo Inc. Debentures. The adjustment is being amortized over the remaining term of the Provigo Inc. Debentures.

(iii) Subsequent to period end 2002, the Company issued $200 of 6.54% MTN due 2033.

NOTE 11. OTHER LIABILITIES

	2002	2001
Accrued pension and other benefit plans (note 9)	$ 142	$ 138
Unrealized currency adjustment (note 14)	131	96
Stock-based compensation	54	
Other	17	44
	$ 344	$ 278

NOTE 12. COMMON SHARE CAPITAL (authorized – unlimited)

The changes in the common shares issued and outstanding during the period were as follows:

	2002		2001	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of period	276,252,714	$ 1,194	276,245,314	$ 1,194
Issued for stock options exercised (note 13)	75,000	2	20,000	
Purchased for cancellation	(309,000)	(1)	(12,600)	
Issued and outstanding, end of period	276,018,714	$ 1,195	276,252,714	$ 1,194
Weighted average outstanding	276,209,323		276,247,689	

NORMAL COURSE ISSUER BIDS ("NCIB") ($) During 2002, the Company purchased for cancellation 309,000 (2001 – 12,600) of its common shares for $17 million (2001 – $1 million) and entered into equity forwards to buy 390,100 (2001 – 601,600) of its common shares pursuant to its NCIB. In addition, the Company intends to renew its NCIB to purchase on the Toronto Stock Exchange or enter into equity forwards to purchase up to 5% of its common shares outstanding. The Company, in accordance with the rules and by-laws of the Toronto Stock Exchange, may purchase its shares at the then market prices of such shares.

Subsequent to period end, the Company purchased for cancellation 730,000 of its common shares for $41 million and entered into equity forwards to buy 1,103,500 of its common shares, at an average forward price of $56.39 with an initial term of 10 years, pursuant to its NCIB.

NOTE 13. STOCK-BASED COMPENSATION ($)

STOCK OPTION PLAN The Company maintains a stock option plan for certain employees. Under the plan, the Company may grant options for up to 20.4 million common shares. Stock options have up to a seven year term, vest 20% cumulatively on each anniversary date of the grant and are exercisable at the designated common share price, which is 100% of the market price of the Company's common shares on the last trading day prior to the effective date of the grant. Each stock option is exercisable into one common share of the Company at the price specified in the terms of the option or option holders may elect to receive in cash the share appreciation value equal to the excess of the market price at the date of exercise over the specified option price.

In 2002, the Company recognized in operating income a compensation cost of $14 million ($21 million less the $7 million fair value impact of the equity forwards) related to the stock option plan. The Company issued 75,000 (2001 – 20,000) common shares for cash consideration of $2 million (2001 – $.4 million) on the exercise of stock options issued prior to December 30, 2001 and paid the share appreciation value of $13 million (2001 – $8 million), net of tax of $9 million (2001 – $6 million), on 685,447 stock options (2001 – 513,970).

During 2002, the Company granted 80,000 stock options under its current stock option plan, that allow for settlement in shares or in the share appreciation value in cash at the option of the employee, to four employees, with an exercise price of $55.40 per common share.

At period end, the Company had a total of 4,055,237 (2001 – 4,832,900) stock option grants outstanding, which represented approximately 1.5% (2001 – 1.7%) of its issued and outstanding common shares and was within regulatory guidelines.

A summary of the status of the Company's stock option plan and activity was as follows:

	2002		2001	
	Options (number of shares)	Weighted Average Exercise Price/Share	Options (number of shares)	Weighted Average Exercise Price/Share
Outstanding options, beginning of period	4,832,900	$ 30.680	5,033,280	$ 28.676
Granted	80,000	$ 55.400	386,190	$ 48.664
Exercised	(760,447)	$ 25.857	(533,970)	$ 24.699
Forfeited/cancelled	(97,216)	$ 32.477	(52,600)	$ 31.653
Outstanding options, end of period	4,055,237	$ 32.029	4,832,900	$ 30.680
Options exercisable, end of period	1,491,119	$ 28.192	1,083,424	$ 25.541

Of the 4,055,237 outstanding options, 3,901,497 relate to stock option grants that allow for settlement in shares or in the share appreciation value in cash at the option of the employee and 153,740 relate to stock option grants, issued prior to December 30, 2001, that will be settled by issuing common shares.

	2002 Outstanding Options			2002 Exercisable Options	
Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price/Share	Number of Exercisable Options	Weighted Average Exercise Price/Share
$ 14.250 – $ 24.500	783,109	2	$ 20.681	572,509	$ 19.276
$ 32.000 – $ 35.600	2,782,938	4	$ 32.157	832,372	$ 32.273
$ 43.800 – $ 55.400	489,190	6	$ 49.469	86,238	$ 47.993

Subsequent to period end 2002, the Company granted 2,367,746 stock options under its current stock option plan, that allow for settlement in shares or in the share appreciation value in cash at the option of the employee, to 196 employees with an exercise price of $53.60 per common share. Including stock option grants issued subsequent to period end, total stock option grants outstanding represent approximately 2.3% of the Company's issued and outstanding common shares.

EMPLOYEE SHARE OWNERSHIP PLAN ("ESOP") The Company maintains an ESOP for its employees, which allows its employees to acquire the Company's common shares through regular payroll deductions for up to 5% of their gross regular earnings. The Company contributes 15% of each employee's contribution. The ESOP is administered through a Trust, which purchases the Company's common shares on the open market on behalf of its employees. A compensation cost of $2 million (2001 – $1 million) related to the Company's ESOP was recognized in operating income.

DEFERRED SHARE UNITS Outside members of the Board of Directors may elect annually to receive all or a portion of their annual retainer(s) and fees in the form of deferred share units, the value of which is determined by the market price of the Company's common shares at the time of payment of the director's annual retainer(s) or fees. Upon termination of Board service, the common shares due to the director, as represented by the deferred share units, will be purchased on the open market on the director's behalf. At period end, 12,941 (2001 – 8,556) deferred share units were outstanding. The period over period change in the deferred share unit obligation was minimal and was recognized in operating income.

NOTE 14. FINANCIAL INSTRUMENTS

As at period end, a summary of the Company's outstanding financial instruments was as follows:

	Notional Amounts Maturing in						2002	2001
	2003	2004	2005	2006	2007	Thereafter	Total	Total
Cross currency basis swaps	$ 49	$ 344	$ 64	$ 11	$ 67	$ 583	$ 1,118	$ 1,021
Interest rate swaps	$ 188	$ 282	$ 161	$ (43)		$ 279	$ 867	$ 883
Equity forwards						$ 150	$ 150	$ 129
Electricity forward purchase contract	$ 43	$ 47	$ 16				$ 106	

CROSS CURRENCY BASIS SWAPS The Company enters into cross currency basis swaps to manage its exposure to fluctuations in exchange rates, on United States dollar denominated net assets, principally cash, cash equivalents and short term investments.

The Company entered into cross currency basis swaps to exchange an amount of $1.1 billion (2001 – $1.0 billion) of Canadian dollar debt for United States dollar debt, which mature by 2016. Currency adjustments receivable or payable arising from these swaps may be settled in cash on maturity or the term may be extended. At period end, an unrealized foreign currency exchange rate adjustment of $131 (2001 – $96) was recorded in other liabilities.

INTEREST RATE SWAPS The Company enters into interest rate swaps to manage its exposure to fluctuations in interest rates and market liquidity.

The Company entered into interest rate swaps converting a net notional $867 (2001 – $883) of its 6.88% (2001 – 6.88%) fixed rate debt into floating rate debt, which mature by 2013.

EQUITY FORWARDS ($) The Company enters into equity forwards to manage its exposure to fluctuations in its stock-based compensation cost as a result of changes in the market price of its common shares.

The Company entered into equity forwards to buy 3.7 million (2001 – 3.3 million) of its common shares at an average forward price of $44.88 (2001 – $42.70) per common share, including $3.47 (2001 – $2.97) per common share of interest expense net of dividends that will be paid at redemption, with an average initial term of 10 (2001 – 10) years. The equity forwards allow for settlement in cash, common shares or net settlement. The Company has included an unrealized market adjustment of $34 million in accounts receivable relating to these equity forwards.

ELECTRICITY FORWARD PURCHASE CONTRACT The Company entered into an electricity forward purchase contract to maintain a portion of the Company's electricity costs in the province of Ontario at approximately 2001 rates. This electricity forward purchase contract, with a company that has a long term debt rating of A (low) from Dominion Bond Rating Service, had an initial term of three years and expires in May 2005.

COUNTERPARTY RISK The Company may be exposed to losses should any counterparty to its derivative agreements fail to fulfill its obligations. The Company has sought to minimize potential counterparty losses by transacting with counterparties that have at a minimum an A rating and by placing risk adjusted limits on its exposure to any single counterparty. The Company has internal policies, controls and reporting processes, which permit ongoing assessment and corrective action with respect to its derivative activity. In addition, principal amounts on cross currency basis swaps and equity forwards are netted by agreement and there is no exposure to loss of the notional principal amounts on the interest rate swaps and equity forwards.

FAIR VALUE OF FINANCIAL INSTRUMENTS The fair value of a financial instrument is the estimated amount that the Company would receive or pay to terminate the instrument agreement at the reporting date. The following methods and assumptions were used to estimate the fair value of each type of financial instrument by reference to various market value data and other valuation techniques as appropriate.

The fair values of cash, cash equivalents, short term investments, accounts receivable, bank indebtedness, commercial paper, accounts payable and accrued liabilities approximated their carrying values given their short term maturities.

The fair value of the cross currency basis swaps was estimated based on the market spot and forward exchange rates and approximated carrying value.

The fair value of long term debt issues was estimated based on the discounted cash flows of the debt at the Company's estimated incremental borrowing rates for debt of the same remaining maturities.

The fair value of the interest rate swaps was estimated by discounting net cash flows of the swaps at market rates for swaps of the same remaining maturities.

The fair value of the equity forwards was estimated by multiplying the total outstanding forwards based on the Company's common shares by the difference between the market price of its common shares and the average forward price of the outstanding forwards at period end.

The fair value of the electricity forward purchase contract was estimated by discounting the net cash flows at market rates for a contract of the same remaining maturity.

	2002		2001	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long term debt liability	$ 3,526	$ 3,890	$ 3,414	$ 3,550
Interest rate swaps net asset		$ 32		$ 48
Equity forwards net asset	$ 34	$ 34		$ 30
Electricity forward purchase contract net asset		$ 15		

NOTE 15. CONTINGENCIES AND COMMITMENTS

The Company is involved in and potentially subject to various claims and litigation arising out of the normal course and conduct of its businesses including product liability, labour and employment, environmental and tax. Although such matters cannot be predicted with certainty, management considers the Company's exposure to such litigation, to the extent not provided for through insurance or otherwise, not to be material to these consolidated financial statements.

The Company is committed to various operating leases. Future minimum lease payments related to these operating leases were as follows:

	Amounts Maturing in							
	2003	2004	2005	2006	2007	Thereafter to 2049	2002 Total	2001 Total
Operating lease payments	$ 161	$ 150	$ 137	$ 123	$ 109	$ 580	$ 1,260	$ 1,192
Expected sub-lease income	(49)	(43)	(39)	(36)	(30)	(61)	(258)	(232)
Net operating lease payments	$ 112	$ 107	$ 98	$ 87	$ 79	$ 519	$ 1,002	$ 960

Gross rentals under leases assigned to others for which the Company is contingently liable amount to $204 (2001 – $230).

At period end, capital projects-in-process which the Company has effectively committed to complete totaled approximately $179 (2001 – $109).

The Company has provided a guarantee, on behalf of PC Bank, to MasterCard International Incorporated for $50 U.S. (2001 – $12 U.S.) relating to PC Bank's obligation to meet its settlement commitments arising from its credit card program.

In connection with the purchase of Provigo, the Company has committed to support Quebec small business and farming communities as follows: for a period of seven years commencing 1999 and, subject to business dispositions, the aggregate amount of goods and services purchased from Quebec suppliers in the ordinary course of business will not fall below those of 1998. The Company has fulfilled its commitment in each year from 1999 to and including 2002.

NOTE 16. OTHER INFORMATION

SEGMENTED INFORMATION The Company's only reportable operating segment is food distribution. All sales to external parties were generated in Canada and all fixed assets and goodwill were attributable to Canadian operations.

RELATED PARTY TRANSACTIONS The Company's majority shareholder, George Weston Limited, its subsidiaries and its affiliates are related parties. It is the Company's policy to conduct all transactions and settle balances with related parties on normal trade terms. Total purchases from related parties represented about 3% (2001 – 3%) of the cost of sales, selling and administrative expenses.

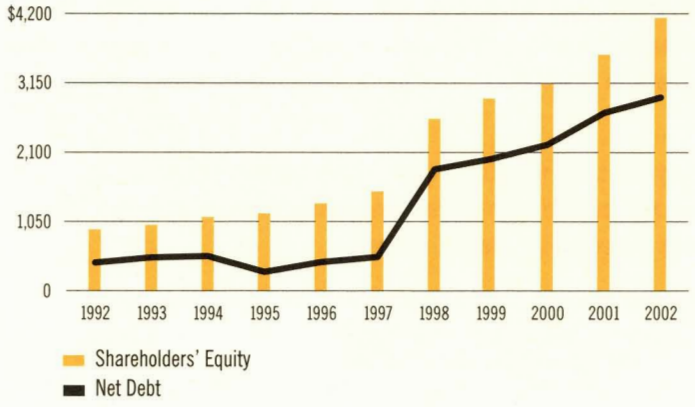
Pursuant to an investment management agreement, the Company, through Glenhuron, manages certain United States cash, cash equivalents and short term investments on behalf of wholly owned non-Canadian subsidiaries of George Weston Limited. Management fees were based on market rates and were included in interest expense.

ELEVEN YEAR SUMMARY (1)

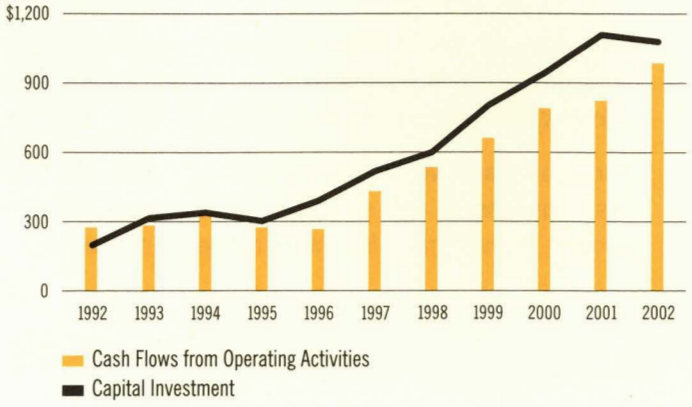
Fiscal Period (2) ($ millions except where otherwise indicated)	2002	2001	2000	1999
OPERATING RESULTS				
Sales	23,082	21,486	20,121	18,783
EBITDA	1,657	1,451	1,259	1,077
Operating income	1,303	1,136	976	811
Interest expense	161	158	143	112
Net earnings	728	563	473	376
FINANCIAL POSITION				
Working capital	372	290	(291)	(397)
Fixed assets	5,587	4,931	4,174	3,549
Goodwill	1,599	1,599	1,641	1,685
Total assets	11,110	10,025	9,025	7,979
Net debt	2,932	2,699	2,216	1,999
Shareholders' equity	4,124	3,569	3,124	2,904
CASH FLOW				
Cash flows from operating activities	981	818	785	656
Capital investment	1,079	1,108	943	802
PER COMMON SHARE ($)				
Basic net earnings	2.64	2.04	1.71	1.37
Basic earnings before goodwill charges	2.64	2.20	1.87	1.52
Dividend rate at period end	.48	.40	.40	.24
Cash flows from operating activities	3.55	2.96	2.84	2.38
Capital investment	3.91	4.01	3.42	2.92
Book value	14.94	12.92	11.31	10.56
Market price at period end	54.00	51.85	50.50	35.25
FINANCIAL RATIOS				
EBITDA margin (%)	7.2	6.8	6.3	5.7
Operating margin (%)	5.6	5.3	4.9	4.3
Net earnings margin (%)	3.2	2.6	2.4	2.0
Return on average total assets (%)	13.7	13.4	12.8	11.9
Return on average shareholders' equity (%)	18.9	16.8	15.7	13.7
Interest coverage	8.1	7.2	6.8	7.2
Net debt to equity	.71	.76	.71	.69
Cash flows from operating activities to net debt	.33	.30	.35	.33
Price/net earnings ratio at period end	20.5	25.4	29.5	25.8
Market/book ratio at period end	3.6	4.0	4.5	3.3

(1) For financial definitions and ratios refer to the Glossary of Terms on page 60.
(2) 1992 and 1997 fiscal periods contain 53 weeks.

Capital Structure
($ millions)

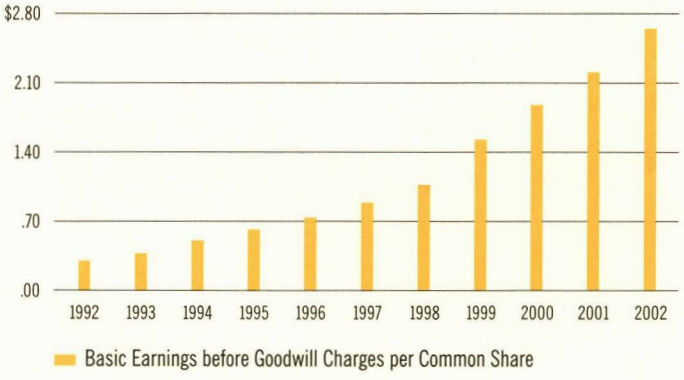


Cash Flows from Operating Activities and Capital Investment
($ millions)

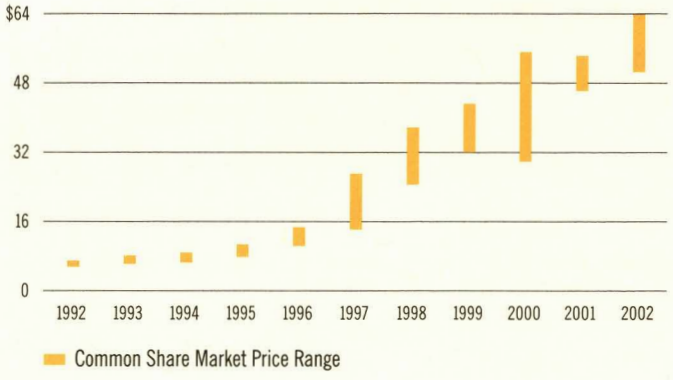


1998	1997	1996	1995	1994	1993	1992
12,497	11,008	9,848	9,854	10,000	9,356	9,262
712	573	481	449	410	326	313
529	428	361	322	274	203	197
68	44	46	54	63	54	62
261	213	174	147	126	90	76
(707)	202	154	179	29	148	145
3,194	2,093	1,738	1,491	1,603	1,414	1,231
1,363	38	40	42	44	49	52
7,105	4,013	3,531	3,197	3,042	2,743	2,504
1,842	513	435	287	525	506	426
2,595	1,495	1,311	1,160	1,105	985	916
530	426	262	270	328	279	269
599	517	389	302	339	315	198
1.06	.88	.72	.60	.50	.36	.29
1.06	.88	.73	.61	.50	.37	.30
.20	.16	.12	.12	.09	.08	.08
2.15	1.76	1.08	1.12	1.35	1.15	1.11
2.43	2.14	1.62	1.25	1.41	1.34	.83
9.46	6.08	5.35	4.74	4.27	3.79	3.52
37.40	26.00	14.25	10.29	7.96	7.63	6.50
5.7	5.2	4.9	4.6	4.1	3.5	3.4
4.2	3.9	3.7	3.3	2.7	2.2	2.1
2.1	1.9	1.8	1.5	1.3	1.0	.8
10.9	14.2	13.6	12.3	10.6	8.6	9.0
12.8	15.3	14.2	13.4	12.5	9.7	8.8
7.8	9.7	7.9	6.0	4.3	3.7	3.1
.71	.34	.33	.25	.48	.51	.46
.29	.83	.60	.94	.62	.58	.63
35.3	29.6	19.8	17.2	15.9	21.2	22.4
4.0	4.3	2.7	2.2	1.9	2.0	1.9

Basic Earnings before Goodwill Charges per Common Share
($)



Common Share Market Price Range
($)



GLOSSARY OF TERMS

TERM	DEFINITION
Basic net earnings per common share	Net earnings available to common shareholders divided by the weighted average number of common shares outstanding during the period.
Basic earnings per common share before goodwill charges	Net earnings available to common shareholders before goodwill charges, net of tax, divided by the weighted average number of common shares outstanding during the period.
Book value per common share	Shareholders' equity divided by the number of common shares outstanding at period end.
Capital investment	Fixed asset purchases.
Capital investment per common share	Capital investment divided by the weighted average number of common shares outstanding during the period.
Cash flows from operating activities per common share	Cash flows from operating activities less preferred dividends paid divided by the weighted average number of common shares outstanding during the period.
Cash flows from operating activities to net debt	Cash flows from operating activities divided by net debt.
Control label	A brand and associated trademark that is owned by the Company for use in connection with its own products and services.
Conversion	A store that changes from one Company banner to another Company banner.
Corporate stores sales per average square foot	Sales by corporate stores divided by the average corporate stores square footage at period end.
Diluted net earnings per common share	Net earnings available to common shareholders divided by the weighted average number of common shares outstanding during the period minus the dilutive impact of outstanding stock option grants at period end.
Diluted earnings per common share before goodwill charges	Net earnings available to common shareholders before goodwill charges, net of tax, divided by the weighted average number of common shares outstanding during the period minus the dilutive impact of outstanding stock option grants at period end.
Dividend rate per common share at period end	Dividend per common share declared in the fourth quarter multiplied by four.
EBITDA	Earnings before interest expense, income taxes, depreciation and amortization (see page 25 for further explanation).
EBITDA margin	EBITDA divided by sales.
Gross margin	Sales less cost of sales divided by sales.
Interest coverage	Operating income divided by interest expense.
Major expansion	Expansion of a store that results in an increase in square footage that is greater than 25% of the initial square footage of the store.
Market/book ratio at period end	Market price per common share at period end divided by book value per common share at period end.
Minor expansion	Expansion of a store that results in an increase in square footage that is less than or equal to 25% of the initial square footage of the store.
Net debt	Bank indebtedness, commercial paper, long term debt due within one year, long term debt and debt equivalents less cash, cash equivalents and short term investments.
Net debt to equity	Net debt divided by total shareholders' equity.
Net earnings margin	Net earnings divided by sales.
New store	A newly constructed store, conversion or major expansion.
Operating margin	Operating income divided by sales.
Price/net earnings ratio at period end	Market price per common share at period end divided by basic net earnings per common share for the period.
Renovation	A capital investment to a store resulting in no change to the store square footage.
Return on average total assets	Operating income divided by average total assets excluding cash, cash equivalents and short term investments.
Return on average shareholders' equity	Net earnings available to common shareholders divided by average total common shareholders' equity.
Same-store sales	Retail sales from the same physical location for stores in operation in the location in both periods being compared but excluding sales from a store that has undergone a conversion or major expansion in the period.
Weighted average common shares outstanding	The number of common shares outstanding determined by relating the portion of time within the reporting period the common shares were outstanding to the total time in that period.
Working capital	Total current assets less total current liabilities.

COMMUNITY SUPPORT

Loblaw Companies Limited endeavours to be an active participant in the various communities which it serves and supports the philanthropic goals of the "IMAGINE" campaign. Acting with its employees, it supports and contributes to local organizations through its various operating divisions, including sponsoring numerous charitable fundraising activities and initiating work experience programs for the physically and developmentally challenged. The following are some examples of our community involvement in 2002:

SOMETIMES SPECIAL KIDS HAVE SPECIAL NEEDS

President's Choice Children's Charity provides physically and developmentally challenged kids and their families with the financial assistance they need to help pay for expensive equipment, physical therapy and more.

We're proud to make a difference – one child at a time.

President's Choice children's charity
Making difficult lives a little easier.

ART GALLERY OF ONTARIO ("AGO")
Supporting the centennial event at the AGO – One Surprising Party – a fundraising gala celebrating the art and the people who have built the AGO into an internationally acclaimed art museum.

CALGARY SPRUCE MEADOWS
Supporting the sport of show jumping in the foothills of the Canadian Rockies.

CAMBRIDGE MEMORIAL HOSPITAL
Supporting the hospital's Endowment for Family and Children's Health.

CANADA BLOOMS HORTICULTURAL SOCIETY
Sponsorship of the Toronto Flower and Garden Show.

CANADIAN BREAST CANCER FOUNDATION
Supporting the advancement of breast cancer research, education, diagnosis and treatment across Canada.

CANADIAN CANCER SOCIETY
Committed to the eradication of cancer and the enhancement of the quality of life of people living with cancer.

CANADIAN SAFE SCHOOL NETWORK
Committed to building public awareness of and reducing youth violence in schools and local communities.

EASTER SEALS
Dedicated to helping children, youth and young adults with physical disabilities achieve their full individual potential and future independence.

FOOD BANKS (ACROSS CANADA)
Support to non-profit organizations that procure, warehouse and distribute food to member social service agencies.

FOOD MARKETING INSTITUTE FOUNDATION
Seeks to ensure continued quality and efficiency in the food system while operating for charitable, educational and scientific purposes.

FONDATION DE L'UNIVERSITÉ LAVAL
The Foundation enables the University to finance its teaching and research priorities.

FOUNDATION OF THE SHERBROOKE UNIVERSITY TEACHING HOSPITAL
Offers highly specialized health care, including the only intensive care unit, neo-natal pediatric unit and cancer centre in the Quebec Eastern townships.

GRAND RIVER HOSPITAL FOUNDATION
Supporting hospital-wide renovations to the Kitchener-Waterloo Health Centre that will affect key areas of service crucial to both in-patients and out-patients alike.

HEART AND STROKE FOUNDATION OF CANADA
Improving the health of Canadians by preventing and reducing disability and death from heart disease and stroke through research, health promotion and advocacy.

MONTREAL HEART INSTITUTE
Provides rehabilitation conditions that best meet patients' needs and contributes to the research and prevention of cardiovascular disease.

MULTIPLE SCLEROSIS ("MS") BIKE TOUR
Sponsorship of the MS Bike Tour in Manitoba in support of Canadians living with MS, funding efforts to find a cure and to enhance their quality of life.

ROUGE VALLEY HEALTH SYSTEM FOUNDATION ("RVHSF")
The RVHSF's mission is to raise funds to support the capital needs of the health centre which is committed to preserving, strengthening and ensuring access to a full range of health care services for communities in West Durham and East Toronto.

THE CHILDREN'S WISH FOUNDATION OF CANADA
Dedicated to fulfilling a favourite wish for children afflicted with high risk life threatening illnesses.

UNITED WAY (ACROSS CANADA)
Helps promote the organized capacity of people to care for one another.

YMCA (ACROSS CANADA)
A multi-service community centre with a commitment to the development of its members in spirit, mind and body.

The W. Garfield Weston Foundation, a private Canadian foundation associated with the Company, is now directing its funds primarily to education and the environment. The Foundation's major current initiatives are focused in the areas of scholarships, in partnership with the Canadian Merit Scholarship Foundation, and land conservation, through the Nature Conservancy of Canada.

Imagine A Caring Company

CORPORATE GOVERNANCE

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") and management of Loblaw Companies Limited (the "Company") believe that sound corporate governance practices will contribute to the effective management of the Company and its achievement of strategic and operational plans, goals and objectives. The Company's approach to corporate governance is in compliance with the Guidelines for Corporate Governance adopted by the Toronto Stock Exchange ("TSX") in 1995 (the "TSX Guidelines"). The TSX published proposed amendments to the TSX Guidelines in November, 2002 which have not yet been adopted.

The Company seeks to attain high standards of corporate governance and believes that it has adopted "best practices" in developing its approach to corporate governance. The Governance and Compensation Committee continues to monitor the proposed amendments to the TSX Guidelines and other changes to applicable laws to ensure that its commitment to exemplary corporate governance practice is maintained. A report with specific reference to each of the TSX Guidelines as modified by the November, 2002 proposed amendments is contained in the Company's Management Proxy Circular.

BOARD OF DIRECTORS

INDEPENDENCE

The Board has reviewed the factual circumstances and relationships of each director to determine whether he or she is related or unrelated within the meaning of the TSX Guidelines as modified by the November, 2002 proposed amendments.

A majority of the Board after appointment at the Company's annual meeting in April, 2003 will be unrelated and independent. The Board believes this reflects the interest of all shareholders.

RESPONSIBILITIES AND DUTIES

The Board, directly and through its committees, supervises the management of the business and affairs of the Company with the goal of enhancing long term shareholder value. The Board has adopted a formal mandate and makes major policy decisions, delegates to management the authority and responsibility in day-to-day affairs and reviews management's performance and effectiveness. The Board's expectations of management are communicated directly to management and through committees of the Board.

The Board approves the Company's operating budgets which take into account the opportunities and risks of the business. Members of the Board attend an annual all-day strategy session with management to discuss and review the Company's strategic plans and opportunities. Through the Audit Committee, the Board oversees the Company's risk management framework and ensures the integrity of the Company's internal control and management information systems. Through the Governance and Compensation Committee, the Board oversees succession planning and compensation for senior management.

At each Board meeting, the Board meets without management present, to ensure that the Board is able to discharge its responsibilities independently of management. In appropriate circumstances, a director can retain an outside advisor with the approval of the Chairman of the Governance and Compensation Committee.

The Board is also responsible for having in place a process that ensures the effectiveness and accountability of the Board as a whole as well as the committees of the Board. Through the Governance and Compensation Committee, the Board assesses the performance of directors and the adequacy and form of compensation paid to directors. Each year, the Governance and Compensation Committee benchmarks directors' compensation against major Canadian public companies in order to ensure that their compensation reflects the responsibilities involved in being a director.

The Board requires that management seek directors' review and approval of:
- strategic corporate direction and corporate performance objectives;
- multi-year and annual business, capital and operating plans and budgets;
- material capital expenditures, acquisitions and divestitures, and restructurings; and
- investment outside of the ordinary course of business.

These matters are in addition to those matters which are required by law to receive Board consideration and approval.

The Board regularly receives reports on the operating results of the Company, as well as timely reports on certain non-operational matters, including insurance, pensions, corporate governance, health and safety and treasury matters.

CODE OF BUSINESS CONDUCT

The Company has a Code of Business Conduct applicable to all officers, directors and employees. In accordance with the Code of Business Conduct requirements, the Audit Committee receives regular compliance reports.

COMMITTEE STRUCTURE AND MANDATES

There are five committees of the Board: Audit Committee, Governance and Compensation Committee, Pension Committee, Environmental, Health and Safety Committee and Executive Committee. With the exception of the Executive Committee, all of these committees are comprised solely of non-management directors. The Board believes that the composition of its committees ensures that they operate independently from management such that shareholders' interests are protected. Each of the committees has a formal charter established by the Board which is reviewed annually. The committee memberships of the directors are listed in the Company's Management Proxy Circular.

The following is a brief summary of the committees' responsibilities:

AUDIT COMMITTEE

The Audit Committee, whose members are all financially literate and which includes at least one individual with accounting or related financial experience, is responsible for:
- recommending the appointment of the external auditor;
- reviewing the arrangements for and scope of the audit by the external auditor;
- reviewing the independence of the external auditor;
- considering the adequacy of the systems of internal accounting controls and reviewing any proposed corrective actions;
- reviewing and monitoring the Company's policies relating to ethics and conflicts of interests;
- reviewing the integrity of the Company's management and information systems;
- establishing a procedure for the receipt, retention and follow up of complaints regarding the Company's accounting, internal controls and auditing matters;
- reviewing and monitoring the Company's internal audit function;
- discussing and reviewing with management and the external auditor the Company's annual and interim consolidated financial statements, key reporting matters and Management's Discussion and Analysis;
- approving the Company's annual and interim consolidated financial statements and Management's Discussion and Analysis; and
- reviewing and approving the audit fees paid to the external auditor, and pre-approval of non-audit related fees to the external auditors.

GOVERNANCE AND COMPENSATION COMMITTEE

The Governance and Compensation Committee is responsible for:
- identifying candidates for membership on the Board;
- assisting in educating directors and assessing their performance on an ongoing basis;
- shaping the Company's approach to corporate governance and recommending to the Board corporate governance principles to be followed by the Company; and
- discharging the Board's responsibilities relating to compensation and succession planning of the Company's senior executives.

PENSION COMMITTEE

The Pension Committee is responsible for:
- reviewing the performance of the Company's and its subsidiaries' pension funds;
- reviewing and recommending managers for the fund's portfolio;
- reviewing the performance of pooled pension fund managers; and
- reviewing and approving the funding assumptions, the funded status of and amendments to the Company's and its subsidiaries' pension plans.

ENVIRONMENTAL, HEALTH AND SAFETY COMMITTEE

The Environmental, Health and Safety Committee is responsible for reviewing and monitoring environmental, health and safety policies, procedures, practices and compliance.

EXECUTIVE COMMITTEE

The Executive Committee possesses all of the powers of the Board except the power to declare common dividends and certain other powers specifically reserved by applicable law to the Board. The Executive Committee acts only when it is not practicable for the full Board to meet.

DISCLOSURE POLICY

The Governance and Compensation Committee has reviewed and adopted a disclosure policy, which provides for interaction with analysts, shareholders and the public to ensure compliance with regulatory requirements and disclosure of information on a timely basis to all shareholders.

A complete corporate governance report is contained in the Company's Management Proxy Circular.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

W. GALEN WESTON, O.C., B.A., LL.D.[1*]
Chairman, Loblaw Companies Limited; Chairman and President, George Weston Limited; Chairman, Holt, Renfrew & Co., Limited, Brown Thomas Group Limited; President, The W. Garfield Weston Foundation; Director, Associated British Foods plc, Canadian Imperial Bank of Commerce; Advisory Board, Columbia University.

JOHN M. CASSADAY, M.B.A.[2,5]
President, Chief Executive Officer and Director, Corus Entertainment Inc.; Former President and Chief Executive Officer, CTV Television Network; Director, Manulife Financial, Masonite International Corporation.

CAMILLA H. DALGLISH, B.A.[5]
Director, The W. Garfield Weston Foundation, The Nature Conservancy of Canada; Former President, The Civic Garden Centre.

ROBERT J. DART, B. COMM., F.C.A.
Vice Chairman, Wittington Investments, Limited; Former President, Wittington Investments, Limited; Former Senior Tax Partner, Price Waterhouse Canada; Director, George Weston Limited, Holt, Renfrew & Co., Limited, Brown Thomas Group Limited, Canadian Arthritis Network.

ANTHONY S. FELL, O.C., LL.D.[2,3*]
Chairman, RBC Capital Markets; Former Chairman and Chief Executive Officer, RBC Dominion Securities; Former Deputy Chairman, Royal Bank of Canada; Director, Munich Reinsurance Group of Companies, CAE Inc., BCE Inc.; Chairman of the Board of Trustees, University Health Network.

ANNE L. FRASER, B.SC., LL.D.[5]
Education Consultant, University of Victoria; Associate Governor, Dalhousie University; Associate, Faculties of Management, Education, Engineering and Fine Arts, University of Calgary; Director, George Weston Limited, Neuroscience Canada Foundation, Bamfield Marine Research Centre, Pier 21 Society.

ANTHONY R. GRAHAM[1,3,4]
President and Director, Wittington Investments, Limited; President and Chief Executive Officer, Sumarria Inc.; Former Vice Chairman and Director, National Bank Financial; Chairman and Director, President's Choice Bank; Director, George Weston Limited, Holt, Renfrew & Co., Limited, Power Corporation, Power Financial Corporation, Provigo Inc., Graymont Ltd.

JOHN A. LEDERER, B.A.[1]
President, Loblaw Companies Limited; Former Executive Vice President, Loblaw Companies Limited; Director, Food Marketing Institute; Member, Coca-Cola Research Council; Founder, President's Choice Children's Charity.

PIERRE MICHAUD, C.M.[5*]
Chairman and Director, Provigo Inc., Co-chairman, Réno-Dépôt Inc.; Vice Chairman, Laurentian Bank of Canada; Director, Capital d'Amérique, Old Port of Montreal Corporation Inc.; Member, The Mont-Tremblant Advisory Board.

G. JOSEPH REDDINGTON, B.A., J.D.[3]
Chairman and Chief Executive Officer, Breuners Home Furnishings Corp.; Former Chairman and Chief Executive Officer, The Signature Group; Former President and Chief Executive Officer, Sears Canada.

T. IAIN RONALD, M.B.A., B. LAW., F.C.A.[2*,4*]
Chairman, TransAlta Power Ltd., TransAlta Cogeneration Ltd.; Former Vice Chairman, Canadian Imperial Bank of Commerce; Director, The Canada Life Financial Corporation, The Canada Life Assurance Company, The North West Company Inc., President's Choice Bank, Holt, Renfrew & Co., Limited, Leon's Furniture Limited, Strongco Inc., BFI Canada Inc.

JOSEPH H. WRIGHT, B.A.[2,3,4]
Managing Partner, Barnagain Capital; Former President and Chief Executive Officer, Swiss Bank Corporation (Canada); Chairman and Trustee, O&Y REIT; Chairman, Hip Interactive; Director, President's Choice Bank, CallNet Enterprises Inc., The Centre for Addiction and Mental Health Foundation; Member, Board of Governors, CM Investment Management.

1. Executive Committee
2. Audit Committee
3. Governance and Compensation Committee
4. Pension Committee
5. Environmental, Health and Safety Committee

* Chairman of the Committee

CORPORATE OFFICERS
(includes age and years of service)

W. GALEN WESTON, O.C. (62 and 31 years)
Chairman of the Board

JOHN A. LEDERER (47 and 26 years)
President

DAVID K. BRAGG (54 and 19 years)
Executive Vice President

DAVID R. JEFFS (45 and 24 years)
Executive Vice President

RICHARD P. MAVRINAC (50 and 20 years)
Executive Vice President

PAUL D. ORMSBY (51 and 20 years)
Executive Vice President

STEPHEN A. SMITH (45 and 17 years)
Executive Vice President

ROY R. CONLIFFE (52 and 21 years)
Senior Vice President, Labour Relations

STEWART E. GREEN (58 and 26 years)
Senior Vice President, Secretary

LOUISE M. LACCHIN (45 and 19 years)
Senior Vice President, Finance

PETER D. TURCOT (45 and 20 years)
Senior Vice President, Sourcing and Procurement

ROBERT A. BALCOM (41 and 9 years)
Vice President, General Counsel

MANNY DIFILIPPO (43 and 11 years)
Vice President, Risk Management and Strategic Initiatives

J. BRADLEY HOLLAND (39 and 9 years)
Vice President, Taxation

MICHAEL N. KIMBER (47 and 18 years)
Vice President, Legal Counsel

LUCY J. PAGLIONE (43 and 19 years)
Vice President, Pension and Benefits

MARK A. RODRIGUES (45 and 16 years)
Vice President, Internal Audit Services

GEORGE D. SESLIJA (47 and 23 years)
Vice President, Real Estate Development

FRANCA SMITH (39 and 14 years)
Vice President, Financial Control

GEOFFREY H. WILSON (47 and 16 years)
Vice President, Industry and Investor Relations

ANN MARIE YAMAMOTO (42 and 16 years)
Vice President, Systems Audit

JOYCE C. LEE (31 and 6 years)
Controller, Financial Reporting

LAUREL MACKAY-LEE (33 and 3 years)
Controller, Planning and Analysis

IRENE PINHEIRO (35 and 10 years)
Controller

LISA R. SWARTZMAN (32 and 9 years)
Treasurer

MARIAN M. BURROWS (48 and 24 years)
Assistant Secretary

WALTER H. KRAUS (40 and 14 years)
Director, Environmental Affairs

PATRICK MACDONELL (33 and 7 years)
Assistant Treasurer

SHAREHOLDER AND CORPORATE INFORMATION

EXECUTIVE OFFICE

Loblaw Companies Limited
22 St. Clair Avenue East
Toronto, Canada
M4T 2S7
Tel: (416) 922-8500
Fax: (416) 922-7791
Internet: www.loblaw.com

STOCK EXCHANGE LISTING AND SYMBOL

The Company's common shares are listed on the Toronto Stock Exchange and trade under the symbol "L".

COMMON SHARES

61% of the Company's common shares are owned beneficially by George Weston Limited.

At period end 2002 there were 276,018,714 common shares outstanding, 4,296 registered common shareholders and 106,442,063 common shares available for public trading.

The average daily trading volume of the Company's common shares for 2002 was 253,486.

COMMON DIVIDEND POLICY

It is the Company's policy to maintain a dividend payment equal to approximately 20% to 25% of the prior period's normalized basic net earnings per common share.

COMMON DIVIDEND DATES

The declaration and payment of quarterly dividends are made subject to approval by the Board of Directors. The anticipated record and payment dates for 2003 are:

Record Date	Payment Date
March 15	April 1
June 15	July 1
Sept. 15	Oct. 1
Dec. 15	Dec. 30

NORMAL COURSE ISSUER BID

The Company has a Normal Course Issuer Bid on the Toronto Stock Exchange.

VALUE OF COMMON SHARES

For capital gains purposes, the valuation day (December 22, 1971) cost base for the Company is $0.958 per common share. The value on February 22, 1994 was $7.67 per common share.

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
100 University Avenue
Toronto, Canada
M5J 2Y1
Tel: (416) 981-9633
Toll free: 1-800-663-9097
Fax: (416) 981-9800
Toll free fax: 1-888-453-0330

To change your address, eliminate multiple mailings, or for shareholder account inquiries, please contact Computershare Trust Company of Canada.

GENERAL COUNSEL

Borden Ladner Gervais LLP
Toronto, Canada

INDEPENDENT AUDITORS

KPMG LLP
Chartered Accountants
Toronto, Canada

ANNUAL MEETING

Loblaw Companies Limited Annual Meeting of Shareholders will be held on Wednesday, April 30, 2003 at 11:00 a.m. at the Metro Toronto Convention Centre, Constitution Hall, Toronto, Canada.

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.

INVESTOR RELATIONS

Shareholders, security analysts and investment professionals should direct their requests to Mr. Geoffrey H. Wilson, Vice President, Industry and Investor Relations at the Company's Executive Office.

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.

Ce rapport est disponible en français.

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