



Changing the landscape...

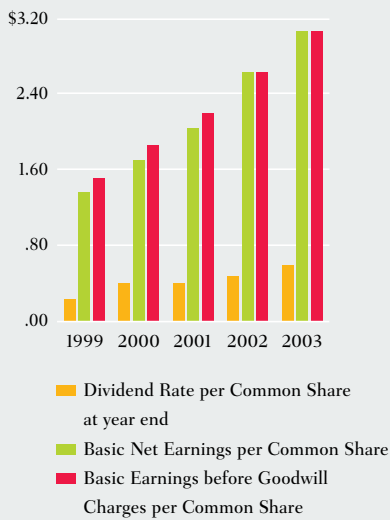
Corporate Profile

Loblaw Companies Limited (“Loblaw”) is Canada’s largest food distributor and is expanding into certain non-food categories, 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 126,000 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.

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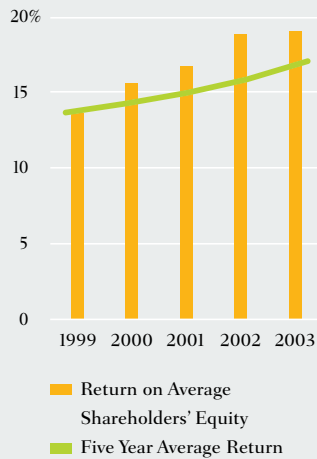
Basic Net Earnings, Basic Earnings before Goodwill Charges and Dividend Rate per Common Share (\$)



\$3.07

Basic net earnings per common share

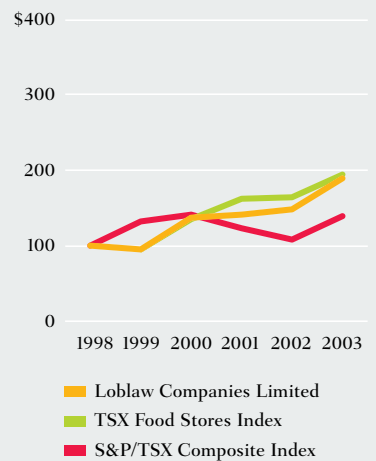
Return on Average Shareholders' Equity



19.1%

Return on average shareholders' equity

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



\$189

Return on \$100 invested five years ago

(includes dividend reinvestment)

The photography in this Annual Report reflects our national presence from coast to coast. The locations photographed include: *Loblaws The Real Canadian Superstore* in Toronto, Ontario and Ajax, Ontario; *Zehrs The Real Canadian Superstore* in Midland, Ontario; *no frills* store in Toronto, Ontario; *Extra Foods* store in Strathmore, Alberta; *Maxi* store in Lachute, Quebec; and the Freeport Distribution Centre in Calgary, Alberta.

Financial Highlights ⁽¹⁾

← Financial Highlights

For the years ended January 3, 2004 and December 28, 2002
(\$ millions except where otherwise indicated)

	2003 (53 weeks)	2002 (52 weeks)
OPERATING RESULTS		
Sales	\$ 25,220	\$ 23,082
EBITDA ⁽²⁾	1,860	1,657
Operating income	1,467	1,303
Interest expense	196	161
Net earnings	845	728
CASH FLOW		
Cash flows from operating activities	1,032	998
Capital investment	1,271	1,079
PER COMMON SHARE (\$)		
Basic net earnings	3.07	2.64
Dividend rate at year end	.60	.48
Cash flows from operating activities	3.75	3.61
Book value	17.22	14.94
Market price at year end	67.85	54.00
FINANCIAL RATIOS		
EBITDA margin ⁽²⁾	7.4%	7.2%
Operating margin	5.8%	5.6%
Net earnings margin	3.4%	3.2%
Return on average total assets ⁽²⁾	13.9%	13.7%
Return on average shareholders' equity	19.1%	18.9%
Interest coverage	7.5:1	8.1:1
Net debt to equity ⁽²⁾	.78:1	.71:1
OPERATING STATISTICS		
Retail square footage (in millions)	42.3	40.4
Average corporate store size (square feet)	50,500	48,900
Corporate stores sales per average square foot (\$)	591	575
Same-store sales growth	4.6%	4.6%
Number of corporate stores	646	632
Number of franchised stores	397	406

(1) For financial definitions and ratios refer to the
Glossary of Terms on page 66.

(2) See Non-GAAP Financial Measures on page 44.

From our home to yours – stylish products from the *PC* home collection



A new large store format in Ontario – offering more choice to consumers



EXACT health and beauty care products – a fresh new look, same great value



...with a continuous stream of innovative products and services and a powerful portfolio of store banners and formats, we continue to redefine the shopping experience to meet the needs of today's busy consumer.

W. Galen Weston
Chairman

John A. Lederer
President



Report to Shareholders

Your Company made significant progress throughout 2003 as it continued to participate in the changing of Canada's retail landscape. Our strong operating performance for the 53 weeks ended January 3, 2004 reflects this progress as measured by the following indicators – sales increased 9.3% to \$25 billion, same-store sales increased 4.6%, operating income increased 12.6% to \$1.5 billion, and basic net earnings per common share increased 16.3% to \$3.07. These North American industry-leading results are indeed welcome. But our true success of the past year lies in the great strides made on several strategic fronts in a fast-changing retail environment. This progress reflected our successful participation in the changing of the retail landscape in a number of significant ways during the past year: in the way our Company is organized; in our store models; in our food and general merchandise offerings; in our support services; and in our relationship with organized labour.

Setting the pace...

Thanks to the progress we have made and continue to make in these areas, we are better positioned than ever to be more relevant to Canadian consumers, to meet the food and everyday household needs of our customers, to grow our business, and to provide superior returns to our shareholders.

Our accomplishments in 2003 flowed from the seven strategic principles that have guided the Company over many years. We have refined these principles over time to address changing circumstances but they remain at the centre of our business strategy.

Our organization

During the past year we continued the ongoing process of reviewing and adjusting our activities in a changing landscape. The goal of this process is to retain and build upon our position as Canada's largest and most successful food retailer and a leading provider of general merchandise. One of the ways in which we pursued this goal in 2003 was through the fostering of increased collaboration across our organization. We implemented measures that encourage our personnel to work more closely together, share information, integrate and streamline our way of doing things, and identify new ways to control costs.

Three developments in particular demonstrated how your Company is changing the way in which it conducts business. First, a restructured senior management team took office. Second, best practices in perishables, non-food general merchandise and cost control were shared across the organization. And

third, we began the process of physically consolidating the operations groups for all Ontario banners and functional areas into a common facility by 2005.

Our stores

During the past year we continued to change the physical landscape of our business as well. We strengthened our already powerful portfolio of stores, banners and formats. A record \$1.3 billion was invested in buying land for future stores, expanding and improving our existing store base, and opening new stores. In addition, we continued to develop a number of standardized store models of varying sizes.

In 2003 we confirmed our continuing belief in the value of large stores in several ways. First, by increasing the size of the store models available to each banner. Second, by opening our largest store to date, measuring in excess of 145,000 square feet. And third, by taking *The Real Canadian Superstore* format that has been so successful in western Canada, adapting it to the Ontario marketplace, and opening the first of the resulting stores in that province. These and other achievements provide us with a solid platform from which to pursue continued growth and value through our growing store network across the country.

Our offerings

Your Company also made progress in changing the landscape of offerings provided in our stores. Food remained and remains at the heart of everything we do. Last year we sharpened our focus on freshness, on our perishables and on the pricing of our food offerings. We also celebrated three significant food-related anniversaries – the 100th anniversary of the Atlantic Wholesalers division, the 25th anniversary of the *no frills* banner and the 20th anniversary of our popular *PC Insider's Report*.

While further strengthening our important food base, we also continued to exploit the tremendous untapped potential of non-food general merchandise offerings. The range of everyday household needs met through our stores continued to increase, as did sales volumes. We marked the second year of the successful *President's Choice* line of general merchandise items with the introduction of 500 new products. *President's Choice Financial* services added to its list of offerings and expanded the selection of items available through its rewards program. The assortment, innovation and great price of all our food, non-food and specialty offerings continue to make us a one-stop shopping destination for many Canadians.

Our support services

In 2003 we also improved the landscape of our support services. A cost effective and efficient distribution channel is crucial to our operating and financial performance. During the past year, we took a number of steps to ensure that our procurement and information technology functions will support the planned growth of our business. We continued the shift from a regional to a truly national focus in these areas. We improved our vendor partnerships and direct sourcing practices. And

we indicated our commitment to a general merchandise supply chain for eastern Canada. The savings associated with these initiatives can be reinvested to provide our customers with even lower prices.

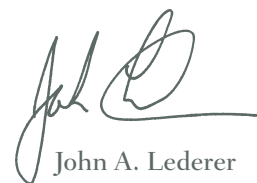
Our relationship with labour

The past year also saw significant change in the landscape of our relations with organized labour. Your Company has long been committed to working constructively and collaboratively with its employees and many of the unions that represent them. This approach helped produce a progressive arrangement with the United Food and Commercial Workers union that made our large, full-service general merchandise format an economically viable proposition in Ontario. In the years ahead, we will continue to work with our personnel and unions in pursuit of increased employment opportunities within a competitive and growing Company.

We approach 2004 from a strong financial and operating position. But we know that continued success cannot be assumed – it must be earned. Our past achievements and future results are attributable to the hard work, dedication and support of the people who work for and with the Company. On behalf of the Board of Directors and senior management we extend our sincere appreciation to Loblaw shareholders, employees, suppliers and other business partners for their past and future contribution.



W. Galen Weston
CHAIRMAN



John A. Lederer
PRESIDENT

Always open... from no fee daily banking to PC points redemption, *President's Choice Financial* services are available to meet customers' needs around the clock.

Growing Organic... the *President's Choice Organics* line continues to introduce affordable, great tasting, certified organic products into the marketplace.



Thinking green... our expanding collection of *President's Choice GREEN* products demonstrates our commitment to the environment.

At the pumps... Canadians on the move fill up at our gas bars from coast to coast.



At the ready...

The introduction of *The Real Canadian Superstore* concept into Ontario was driven by the success of the format in western Canada and reflects our strategy of providing shoppers with a wide assortment of products and services and a tremendous value proposition. This format is marked by food and non-food offerings, a controlled cost structure and the resulting lower prices that spell savings for our customers.



We are constantly looking for ways to deliver lower prices and real savings to our customers. Whether it be through the reinvestment of administrative and operating cost savings into lower prices or by operating our price competitive, full service stores in concert with our discount oriented stores,

we strive to give consumers the variety of goods and services they need at the right prices. Other innovative ideas, such as the *PC* points rewards program and the autocash vouchers at our gas bars, demonstrate our continuing commitment to providing value to our customers.

Freshen Up... watch for the ever growing assortment of innovative, high quality *President's Choice* products, now in an updated, consumer-friendly look.

Get Digital... our customers can now get great quality photos from their digital cameras at kiosks in our *Photolab* departments.



Go Lean... great tasting, lower fat *President's Choice* products demonstrate our dedication to providing our customers with healthier choices.

More than food... our general merchandise aisles are stocked with a fresh assortment of everyday household items to round out any shopping list.



Thinking ahead...

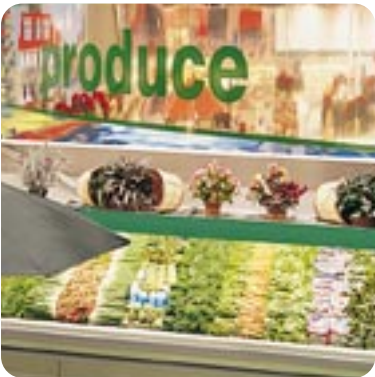
The *President's Choice* line of home products represents superior value and great design. These unique offerings are developed with the same passion for innovation and great taste our customers have come to expect from the *President's Choice* brand. We are committed to creating a wide range of stylish and functional items for all areas of the home. Watch for fresh, new designs in 2004, as we continue to expand our assortment of exciting home products.



We understand our customers' need for convenience. That's why we've set out to put a whole street of shops under one roof! While focusing on food, we've added a number of general merchandise and specialty offerings in many of our stores, making us a one-stop shopping destination for our customers. From bed and bath to

brush and broom, we've changed Canadians' views of what a supermarket can be. In 2003, we introduced our very first drive-thru pharmacy, taking convenience to a new level. Adding these innovative departments and services to our offerings makes us more relevant to Canadians every day.

Getting the right product into the right store at the right time is a critical part of serving our customers' everyday needs. We will continue to invest in our warehouse facilities and move towards a more integrated, national network in order to support the continued growth of our business. At the same time, we will focus on the related areas of procurement and information technology to ensure the highest degree of collaboration and efficiency within these functions.

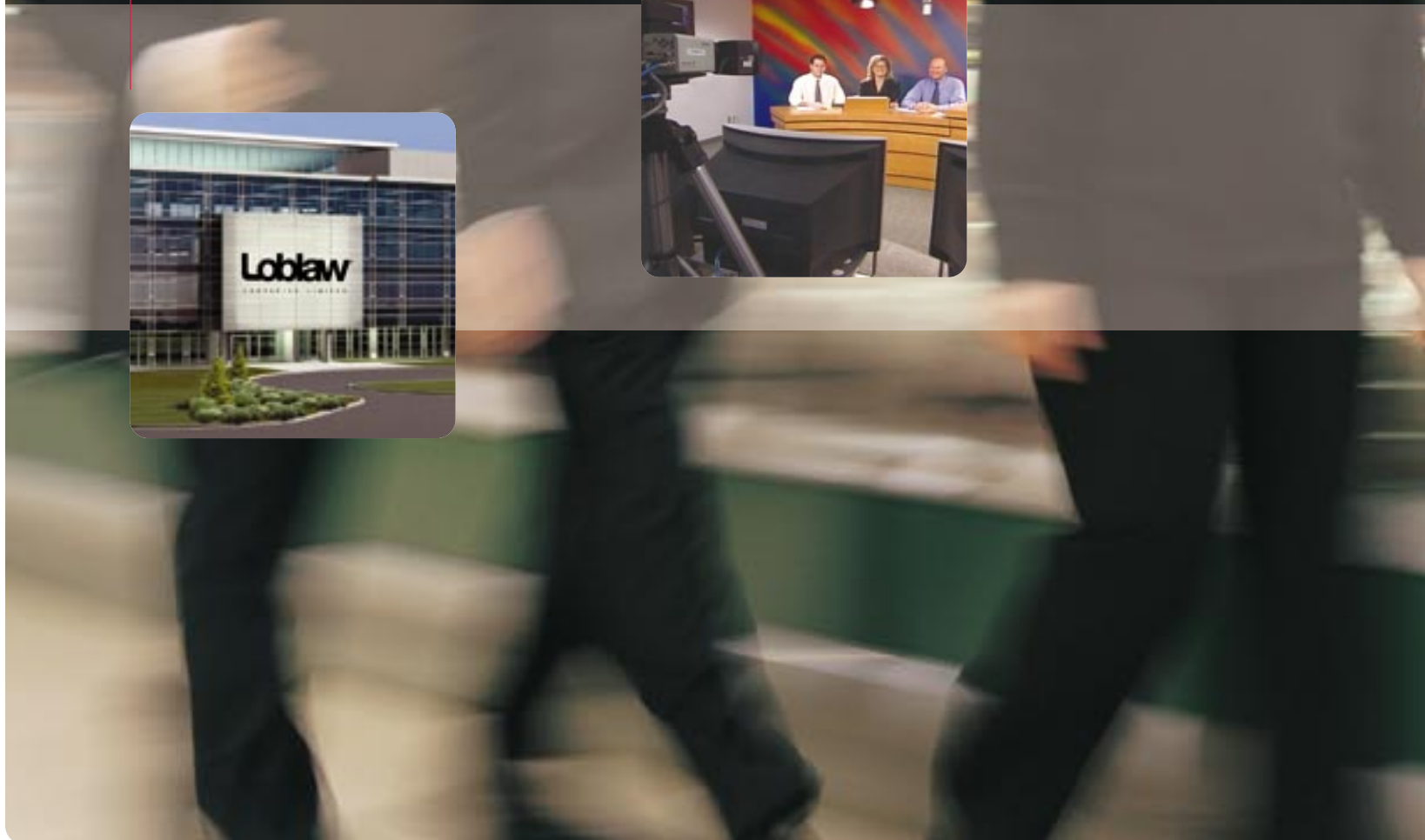


In western Canada, our produce business is enjoying tremendous momentum as a result of the renewed focus on quality and presentation. This unwavering standard begins in the field, partnering with the best growers in each region. We are setting the highest of standards, in satisfying

the consumer's ever increasing demands for great quality produce and exciting variety from around the world. This philosophy extends into our other fresh departments – bakery, meat and deli – where the attention to quality has been greatly received by our customers.

Under one roof... the existing Ontario offices will be consolidated in a new facility by 2005, creating synergies and enhancing collaboration.

Lights, camera, action... interactive broadcast technology allows us to reach store personnel via satellite from our studios, for valuable training and information sharing sessions.



What's cooking in your community... visit *Upstairs at Loblaws*, where cooking classes, health and wellness seminars, children's birthday parties and corporate events serve up education and fun.

Leading with passion and courage... employees participate in leadership development sessions designed to enhance effective leadership skills across the organization.



Best foot forward...

Operational Directory



Top left to right: David R. Jeffs, Carmen Fortino, Bernard J. McDonell, Violet Konkle
Middle left to right: Stephen A. Smith, Pietro Satriano, Paul D. Ormsby, David K. Bragg
Bottom left to right: Roy R. Conliffe, Stewart E. Green, Richard P. Mavrinac, Donald G. Reid

Eye on the horizon... with a dedicated leadership team focused on execution

Effective leadership is critical to the successful execution of our operating strategies. The members of this senior management team have been with the Company, on average, for over 18 years.

Passion and courage, judgment and experience help guide this team as they lead their respective areas of responsibility into the future.

(includes age and years of service)

John A. Lederer (48 and 27 years) President

David R. Jeffs
(46 and 25 years)

Western Operations and Non-Food
Sourcing and Procurement

Carmen Fortino
(45 and 19 years)

Ontario Operations

Bernard J. McDonell
(49 and 10 years)

Quebec Operations

Violet Konkle
(50 and 10 years)

Atlantic Operations

Retail Operations

Tom G. Fraser
(63 and 44 years)

Loblaws

N. Deane Collinson
(49 and 19 years)

Loblaws

Dave Mock
(44 and 21 years)

Atlantic Superstore

and Dominion*
*in Newfoundland and Labrador

The Real Canadian Superstore
Raymond P. Daoust
(50 and 32 years)

Zehrs Markets
R. Glen Gonder
(45 and 26 years)

Maxi (including Maxi & Cie.)
Denis Gaudreau
(48 and 4 years)

Mark Butler
(43 and 28 years)

Extra Foods

David A. Berg
(42 and 26 years)

Fortinos

Vince Scorniaenchi
(45 and 31 years)

Provigo

Daniel Dufresne
(46 and 2 years)

Atlantic SaveEasy and
Cash & Carry

Tom Cogswell
(54 and 37 years)

The Real Canadian
Wholesale Club

J. Lorne Cumming
(60 and 23 years)

No Frills and Cash & Carry
Robert Adams
(43 and 20 years)

Distribution Group:

Associated Banners and Presto
Pierre Ledoux
(51 and 6 years)

SuperValu, Shop Easy Foods
and Lucky Dollar Foods

Jim Courtney
(51 and 24 years)

Your Independent Grocer
and Valu-mart

Kevin E. Ryan
(54 and 17 years)

Real Estate

David K. Bragg
(55 and 20 years)

General Counsel

Stewart E. Green
(59 and 27 years)

Supply Chain, Information
Technology, Food Sourcing
and Procurement

Paul D. Ormsby
(52 and 21 years)

Control Label Development

Pietro Satriano
(41 and 2 years)

Labour Relations

Roy R. Conliffe
(53 and 22 years)

Treasury, Tax, Risk Management
and Investor Relations

Richard P. Mavrillac
(51 and 21 years)

President's Choice Bank

Donald G. Reid
(54 and 24 years)

Financial Control and

Reporting, Employee Development
and Services and Loss Prevention

Stephen A. Smith
(46 and 18 years)

Geographic Divisions and Banners

	Corporate Stores	Franchised Stores	Associated Stores	Independent Accounts	Warehouses
British Columbia	39	44	21	7	1
Yukon	1	1			
Northwest Territories	3		1	1	
Alberta	58	5	15	1,521	4
Saskatchewan	34	14	43	1,656	2
Manitoba	20	4	51	59	1
Ontario	165	242	18	76	9
Quebec	245	29	432	1,650	10
New Brunswick	22	24	5	348	2
Nova Scotia	37	24	2	595	2
Prince Edward Island	5	3	1	186	
Newfoundland and Labrador	17	7	9	577	2
Total	646	397	598	6,676	33

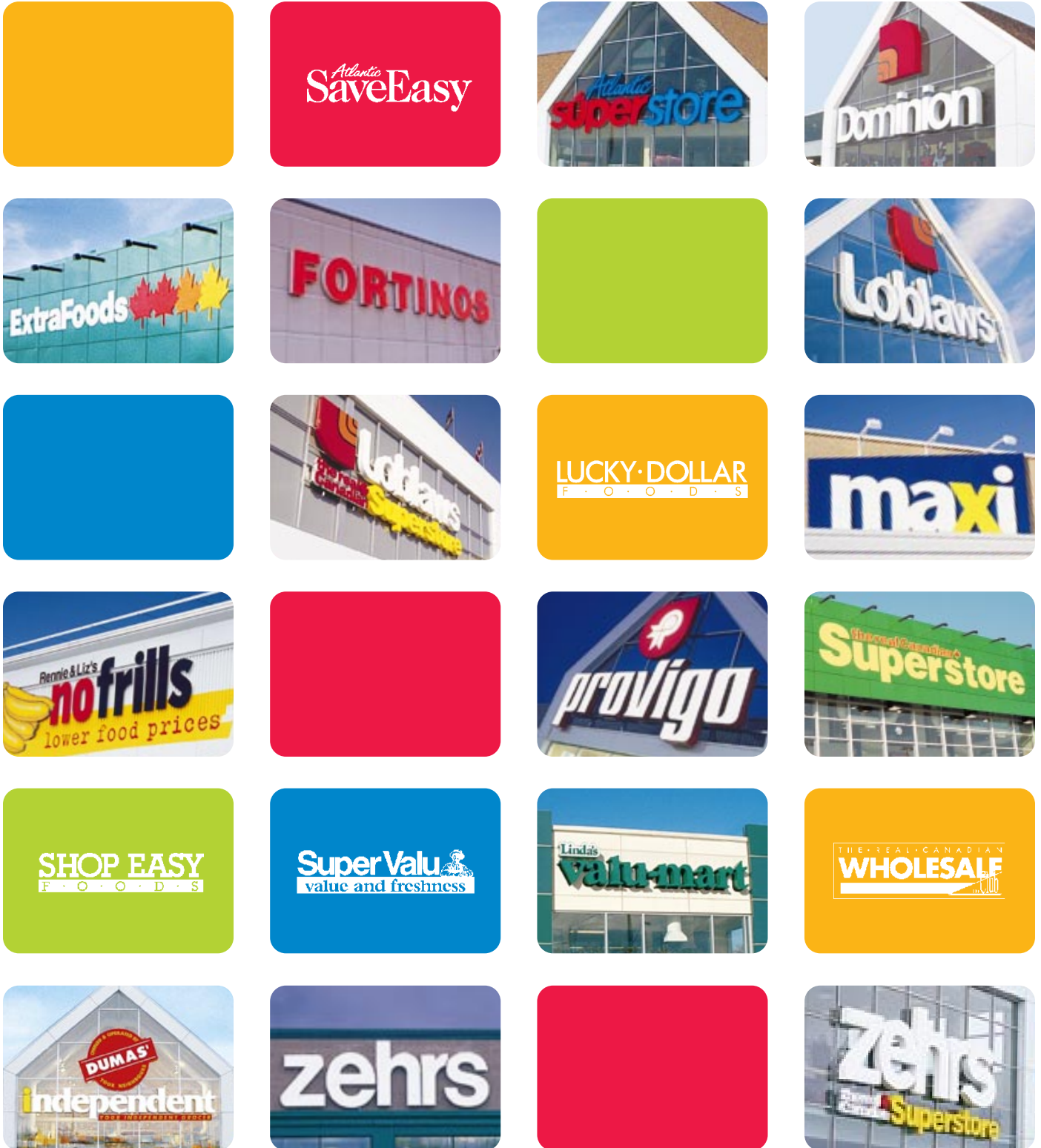
Number of Stores

Atlantic SaveEasy	53
Atlantic Superstore	50
Dominion* (in Newfoundland and Labrador)	15
Extra Foods	91
Fortinos	20
Loblaws	97
Loblaws The Real Canadian Superstore	3
Lucky Dollar Foods	93
Maxi (including Maxi & Cie.)	92
No Frills	115
Provigo	127
The Real Canadian Superstore	60
The Real Canadian Wholesale Club	33
Shop Easy Foods	59
SuperValu	29
Valu-mart	70
Your Independent Grocer	52
Zehrs Markets	57
Zehrs The Real Canadian Superstore	2
Cash & Carry and other banners	523

* Trademark used under license.

Got it covered... using a multi-format approach from coast to coast

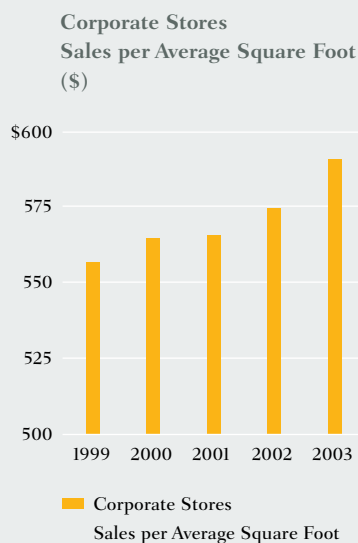
Operating a balanced portfolio of store banners and formats across Canada, the Company seeks to maximize its market share on a market-by-market basis. While our core business is and will always be food, our multi-format approach will help us meet the everyday household needs of our customers, making us a one-stop shopping destination for many.



Corporate Stores and Independent Stores and Accounts

	2003 Stores	2003 Sq. Ft. (in millions)	2002 Stores	2002 Sq. Ft. (in millions)
CORPORATE STORES				
Beginning of year	632	30.9	617	28.6
Opened	48	3.2	53	3.6
Closed	(45)	(1.7)	(43)	(1.4)
Transferred from franchised stores	10	.2	5	.1
Transferred from associated stores	1			
End of year	646	32.6	632	30.9
Average store size (in thousands)		50.5		48.9
Analysis by size:				
More than 60,000 sq. ft.	198	18.3	181	16.6
40,000 – 60,000 sq. ft.	149	7.3	151	7.4
20,000 – 39,000 sq. ft.	179	5.3	175	5.1
Less than 20,000 sq. ft.	120	1.7	125	1.8
	646	32.6	632	30.9
Sales by corporate stores (1) (\$ millions)	\$ 18,765		\$ 17,105	
Sales per average square foot (1) (\$)	\$ 591		\$ 575	

(1) 2003 contained 53 weeks.



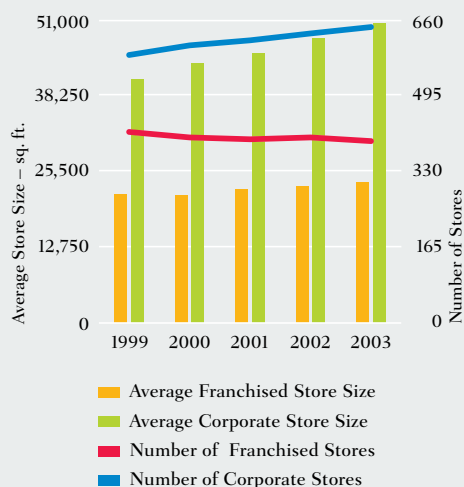
Stepping it up... investing in the foundation of our operations

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 \$3.5 billion in stores and supporting infrastructure, resulting in a net increase of 6.4 million retail square feet, an average annual increase of 6%. Over the same period, average corporate store size increased 13% and corporate store sales per average square foot increased from \$565 to \$591.

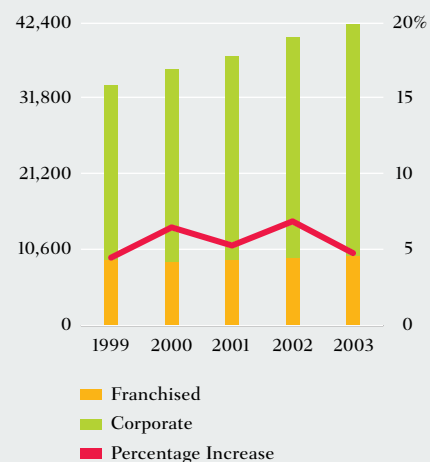
	2003 Stores	2003 Sq. Ft. (in millions)	2002 Stores	2002 Sq. Ft. (in millions)
FRANCHISED STORES				
Beginning of year	406	9.5	401	9.2
Opened	15	.8	22	.7
Closed	(16)	(.4)	(15)	(.3)
Transferred to corporate stores	(10)	(.2)	(5)	(.1)
Transferred from associated stores and independent accounts	2		3	
End of year	397	9.7	406	9.5
Average store size (in thousands)		24.4		23.4
ASSOCIATED STORES				
INDEPENDENT ACCOUNTS				
WAREHOUSES				
Sales to independent stores and accounts (1) (\$ millions)	\$ 6,455		\$ 5,977	

(1) 2003 contained 53 weeks.

Average Store Size
and Number of Stores



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



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The following Management's Discussion and Analysis ("MD&A") for Loblaw Companies Limited and its subsidiaries (collectively, the "Company" or "Loblaw") should be read in conjunction with the consolidated financial statements and the accompanying notes on pages 45 to 63 of this Annual Report. The consolidated financial statements and the accompanying notes have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are reported in Canadian dollars. A glossary of terms used throughout this Annual Report can be found on page 66. The information in this MD&A is current to March 9, 2004, unless otherwise noted.

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 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 Risks and Risk Management section of this MD&A. Consequently, actual results and events may vary significantly from those included in, contemplated by or implied by such statements. In evaluating forward-looking statements, readers should specifically consider the various factors which could cause actual events or results to differ materially from such forward-looking statements.

OVERVIEW

Loblaw, a subsidiary of George Weston Limited, is Canada's largest food distributor and is expanding into certain non-food categories with the objective of providing consumers across the country with the best in one-stop shopping for everyday household needs. The Company has supplied the Canadian market 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 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 goal is to be known for:

- offering the highest quality fresh foods,
- its compelling value proposition and food assortment,
- leading in the development of unique, high quality control label products and services,
- its powerful and compelling non-food offering,
- delivering sustainable growth through distinct but integrated approaches to the marketplace, and
- 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 its 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 serving the consumer's everyday household 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 the Company's value proposition.

The Company's financial strategies include:

- maintaining a strong balance sheet,
- minimizing 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 household needs, it will be well positioned to continue to provide sustainable superior returns to its shareholders.

KEY PERFORMANCE INDICATORS

The Company continuously reviews and monitors its activities and performance indicators, which it believes are important to measuring the success of the implementation of its operating and financial strategies. Some of the Company's key performance indicators and results against those indicators are set out below.

Key Performance Indicators

	2003 (53 Weeks)	2002 (52 Weeks)
Sales growth (1)	9.3%	7.4%
Basic net earnings per common share growth (2)	16.3%	29.4%
Net debt to equity ratio (3)	.78:1	.71:1
Return on average shareholders' equity	19.1%	18.9%

- (1) Sales growth for 2003 includes a 2% positive impact from the 53rd week.
 (2) Basic net earnings per common share in 2002 increased by 20.0% when compared to 2001 basic earnings per common share before goodwill charges.
 (3) See Non-GAAP Financial Measures on page 44.

Other key performance indicators include, but are not limited to: market share, development of new control label products, and operating and administrative cost management.

OVERALL FINANCIAL PERFORMANCE

Loblaw enjoyed another strong year in 2003, realizing basic net earnings per common share of \$3.07, a 16.3% improvement over last year. For the 53 week year ended January 3, 2004, total sales increased 9.3% to \$25.2 billion and operating income increased 12.6% to \$1,467 million as compared to the 52 week year in 2002. The 52 week reporting cycle followed by the Company periodically necessitates a 53 week fiscal year, which occurred in 2003.

These results were attained by the Company while operating in a highly competitive industry. The retail industry continues to change, with the

distinction between traditional grocer, mass merchant and discount retailer blurring, as each expands into the areas of food and non-food to drive sales growth and to meet changing consumer needs. New products have been, and continue to be developed in response to varying nutritional and dietary preferences. In addition, food safety has become a priority for food retailers and consumers alike. The Company monitors and responds to these changing forces while moving ahead in the execution of its operating strategies.

Results of Operations

Operating Results

(\$ millions except where otherwise indicated)	2003 (53 weeks)	2002 (52 weeks)	Change
Sales	\$ 25,220	\$ 23,082	9.3%
Operating income	\$ 1,467	\$ 1,303	12.6%
Operating margin	5.8%	5.6%	
EBITDA (1)	\$ 1,860	\$ 1,657	12.3%
EBITDA margin (1)	7.4%	7.2%	

(1) See Non-GAAP Financial Measures on page 44.

Sales Sales increased 9.3%, to \$25.2 billion from \$23.1 billion in 2002. All regions across the country experienced sales growth, inclusive of the effects of the Company's investment in lower pricing and the delay of new store construction in Ontario pending the completion of negotiations with several unions during the third quarter.

The increase in sales resulted from:

- sales for the 53rd week, which accounted for 2% of the sales growth,
- 4.6% same-store sales growth on an equivalent 53 week basis, some of which related to the renovation or minor expansion of 87 stores,
- an increase in non-food sales at approximately twice the rate of food sales at the retail level, and
- an increase of 4.7% in net retail square footage related to the opening of 63 new corporate and franchised stores and the closure of 61 stores. The weighted average net retail square footage increased 5.6% and exceeds the absolute increase due to the timing of the store activity. In 2003, the increase in the weighted average net retail square footage reflects the full year benefit of the 1.6 million of net retail square footage added in the latter half of 2002.

National food price inflation remained low throughout 2003. Warehouse case movement and retail item count, which are indicators of volume, increased over last year.

Control label retail sales reached \$5.6 billion in 2003 while penetration, measured as control label retail sales as a percentage of the Company's retail sales, increased to 24.2% from 23.6% in 2002. The Company introduced approximately 1,500 new control label products in 2003, including 500 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*, *EXACT* and *Life@Home*, provides additional sales growth potential.

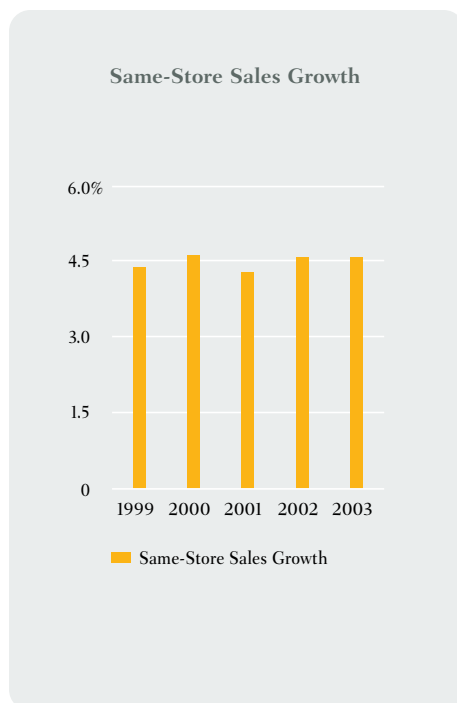
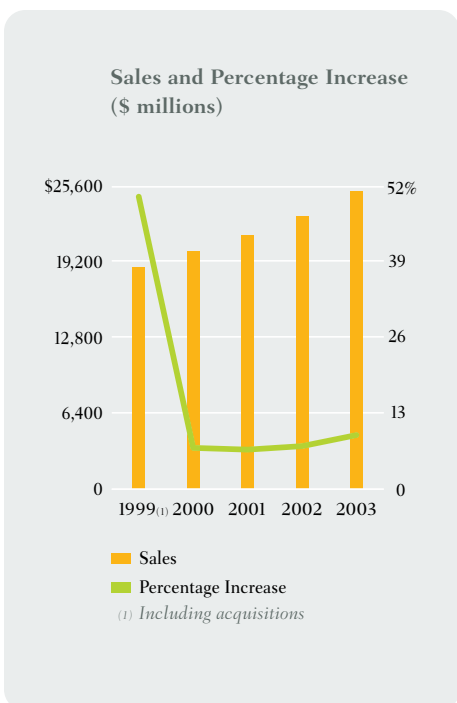
Loblaw expects that the following initiatives, coupled with continued pricing investment where appropriate, will generate continued sales growth over each of the next few years:

- continued capital investment in its store network including the 2004 planned opening, expansion or renovation of more than 160 corporate and franchised stores across Canada,
- expansion of non-food offerings, and
- ongoing introduction of new control label products.

Operating Income Operating income in 2003 increased \$164 million, or 12.6%, to \$1.5 billion. Operating margin improved to 5.8% from 5.6% in 2002. EBITDA margin (see Non-GAAP Financial Measures on page 44) improved to 7.4% from 7.2% in 2002 and compares favourably with North American industry peers. All regions realized earnings improvements over 2002.

Gross margins in 2003 remained relatively flat in comparison to 2002. The investment in lower selling prices was partially offset by sales mix, reduced product costs and improvement in inventory shrinkage.

In 2003, operating income included a \$25 million charge relating to the voluntary early retirement offer made to Ontario employees affected by the new labour arrangement for *The Real Canadian Superstore* ("RCSS"). As part of a long term labour strategy to establish a competitive framework for the RCSS concept in Ontario, certain employees received a voluntary early retirement offer. At year end, 541 employees had accepted the voluntary early retirement offer, resulting in the charge to operating income. Subsequent to year end, an additional 94 employees had accepted the voluntary early retirement offer, which will result in an additional charge of \$2 million to operating income in the first quarter of fiscal 2004.



Operating income for 2003 was further impacted by the following:

- an increase in net defined pension and other benefit plans expense of approximately \$33 million over 2002,
- a \$4 million decrease over 2002 related to the labour disruption in Newfoundland and Labrador,
- an increase in stock-based compensation cost of \$41 million over last year, offset by an increase in the equity forwards gain of \$59 million, and
- the incremental 53rd week in fiscal year 2003, which contributed positively to operating income.

Operating margins improved from the continued focus on administrative cost control and operating efficiencies, including a focus on controlling retail labour management, and the maturing of new stores opened during the past few years.

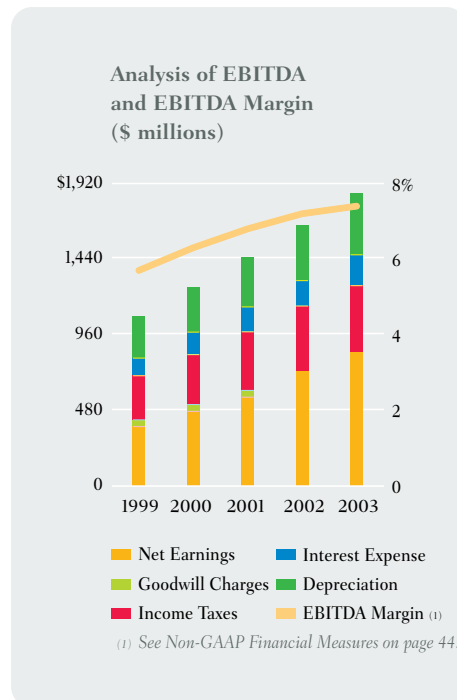
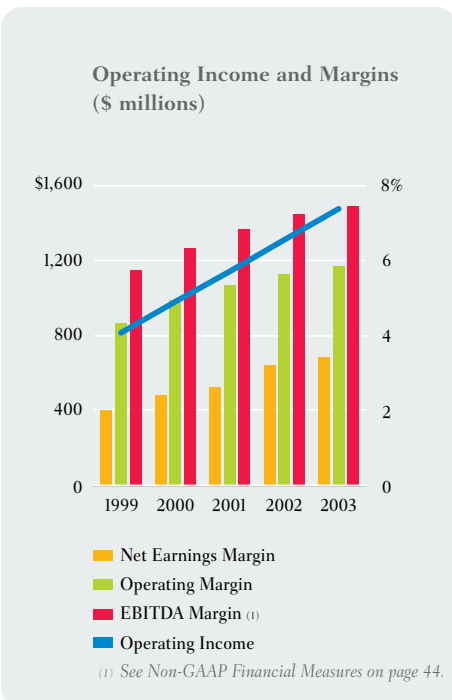
The Company expects operating income to grow at rates slightly below those of the past several years. The investment in pricing is expected to continue, offset by a continued focus on cost initiatives, as well as the following:

- reduction in the variations of store models across the country, where appropriate, to obtain a more consistent and cost effective merchandising thrust,

- optimization of the Company's warehouse and distribution network, information systems and procurement functions, and
- continued rollout of *President's Choice Financial* services and products and *President's Choice Financial* MasterCard as well as personal auto and home insurance offered under the *PC Financial* Insurance brand, which was introduced in the fall of 2003 to selected markets, with an expanded rollout planned throughout 2004 and 2005.

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 2003, total interest expense increased \$35 million, or 21.7%, to \$196 million from \$161 million in 2002 as a result of the impact of the 53rd week and an increase in average long term and short term borrowing levels.

Net short term interest expense increased to \$5 million, up \$22 million compared to 2002 net short term interest income of \$17 million. This increase resulted primarily from a decrease in average short term United States investment rates, which was partially



offset by the positive impact of interest rate swaps and cross currency basis swaps included in other long term interest, and higher average short term Canadian borrowing levels.

The Company capitalizes interest incurred on debt related to real estate properties under development. During 2003, \$33 million (2002 – \$30 million) of interest expense was capitalized to fixed assets.

Interest on long term debt increased \$23 million to \$269 million in 2003 as a result of an increase in average borrowing levels and the impact of the 53rd week. Other long term interest includes the net positive effect of the Company's interest rate swaps, cross currency basis swaps and equity forwards of \$45 million (2002 – \$38 million). The 2003 weighted average interest rate of fixed long term debt (excluding capital lease obligations) was 6.9% (2002 – 7.0%) and the weighted average term to maturity was 17 years (2002 – 16 years). The 2004 interest expense is expected to increase due to expected higher average net borrowing levels.

Analysis of Long Term Financing Costs

(\$ millions except where otherwise indicated)	2003 (53 Weeks)	2002 (52 weeks)
Total long term debt at year end (including portion due within one year)	\$ 4,062	\$ 3,526
Interest on long term debt	\$ 269	\$ 246
Weighted average interest rate of fixed long term debt	6.9%	7.0%
Interest coverage ratio	7.5:1	8.1:1

Income Taxes The Company's effective income tax rate in 2003 decreased to 33.5% from 36.3% in 2002, mainly as a result of declining Canadian federal income tax rates and the income tax impact of fair valuing the equity forwards. The decrease was partially offset by an adjustment to future income tax balances caused by the increase in corporate income tax rates by the Ontario provincial government. In 2003, the Ontario government enacted a 1.5% increase in tax rates from 12.5% in 2003 to 14% in 2004, and repealed the scheduled 2004 to 2006 income tax rate reductions of 1.5% per annum, resulting in a \$7 million charge to future income tax expense.

The effective income tax rate for 2004 is expected to be reasonably consistent with that of 2003. However, the effective income tax rate may differ if the

allocation of taxable income across the various tax jurisdictions changes.

Net Earnings Net earnings increased \$117 million, or 16.1%, to \$845 million from \$728 million in 2002 due to the factors described above. Basic net earnings per common share increased 43 cents, or 16.3%, to \$3.07 from \$2.64 in 2002.

Financial Condition

Financial Ratios In 2003, the Company maintained a consistent financial position as measured by its financial ratios and balance sheet. This position is expected to continue in 2004. The Company's net debt to equity ratio (see Non-GAAP Financial Measures on page 44) continued to be within the Company's internal guideline of less than 1:1. The 2003 net debt to equity ratio of .78:1 compared to the 2002 ratio of .71:1.

Cash flows from operating activities cover a large portion of the Company's funding requirements. In 2003, funding requirements resulted primarily from:

- the capital investment program,
- defined benefit pension plan contributions,
- non-cash working capital requirements, resulting principally from a reduction in accounts payable outstanding at year end and an increase in non-food inventory,
- purchases of the Company's common shares pursuant to its Normal Course Issuer Bid ("NCIB"), and
- dividends paid on its common shares.

Over one half of the increase in the net debt to equity ratio resulted from the decrease in United States dollar cash, cash equivalents and short term investments due to the appreciation of the Canadian dollar. In 2003, shareholders' equity increased \$608 million, or 14.7%, to \$4.7 billion. The 2004 net debt to equity ratio is expected to improve slightly as retained earnings growth is expected to exceed debt financing requirements. The interest coverage ratio declined to 7.5 times compared to 8.1 times in 2002 due mainly to higher interest expense.

The working capital position was relatively consistent year over year. The Company's 2003 return on average total assets (see Non-GAAP Financial Measures on page 44) was 13.9% compared to 13.7% in 2002. The return on average total assets continued to increase after accounting for the significant capital investment activity of the past few years. The Company's 2003 return on average shareholders' equity was 19.1%

compared to the 2002 return of 18.9%. The five year average return on shareholders' equity was 17.2% (2002 – 16.0%).

Common Dividends The Company's dividend policy is to maintain a dividend payment equal to approximately 20% to 25% of the prior year's normalized basic net earnings per common share, giving consideration to the year end cash position, future cash flow requirements and investment opportunities. During 2003, the Company's Board of Directors (the "Board") declared quarterly dividends of 15 cents per common share. The annualized dividend per common share of 60 cents was equal to 22.7% of the 2002 basic net earnings per common share, which was consistent with the Company's dividend policy. Subsequent to year end, the Board declared a quarterly dividend of 19 cents per common share, payable April 1, 2004.

Outstanding Share Capital The Company's outstanding share capital is comprised of common shares. An unlimited number of common shares is authorized and 274,829,014 common shares were outstanding at year end. Subsequent to year end, the Company purchased for cancellation 132,400 of its common shares for \$8 million, pursuant to its NCIB. Further information on the Company's outstanding share capital is provided in Note 14 to the consolidated financial statements.

LIQUIDITY AND CAPITAL RESOURCES

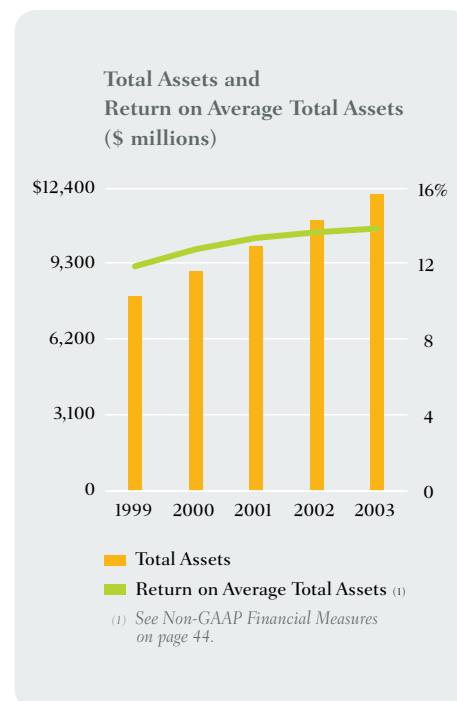
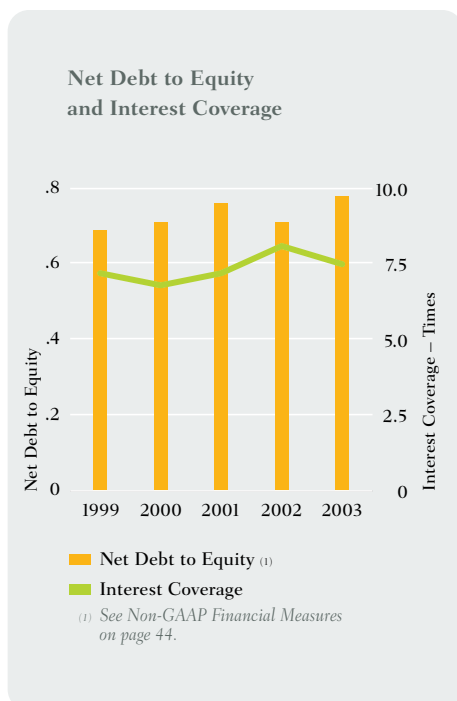
Cash Flows

Major Cash Flow Components

(\$ millions)	2003 (53 Weeks)	2002 (52 Weeks)	Change
Cash flows from operating activities	\$ 1,032	\$ 998	3%
Cash flows used in investing activities	\$ (1,448)	\$ (995)	46%
Cash flows from financing activities	\$ 386	\$ 226	71%

Cash Flows from Operating Activities 2003 cash flows from operating activities increased to \$1,032 million from \$998 million in 2002. The increase resulted mainly from improved net earnings before depreciation partially offset by an increased funding requirement from non-cash working capital, primarily a reduction in total accounts payable outstanding at year end and an increase in non-food inventory, as well as an increase in defined benefit pension plan contributions.

The 2004 cash flows from operating activities are expected to increase at a rate consistent with net earnings growth and are expected to fund a large



portion of the Company's anticipated 2004 funding requirements, including its planned capital investment activity.

Cash Flows used in Investing Activities 2003 cash flows used in investing activities were \$1,448 million compared to \$995 million in 2002.

Capital investment amounted to \$1.3 billion (2002 – \$1.1 billion), reflecting the Company's continuing commitment to maintain and renew its asset base and invest for growth. Approximately 80% (2002 – 80%) of the capital investment was for new stores, renovations or expansions. Other capital investments were for the warehouse and distribution network, information systems and other infrastructure required to support store growth. The Company's continued capital investment activity benefited all regions in 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.

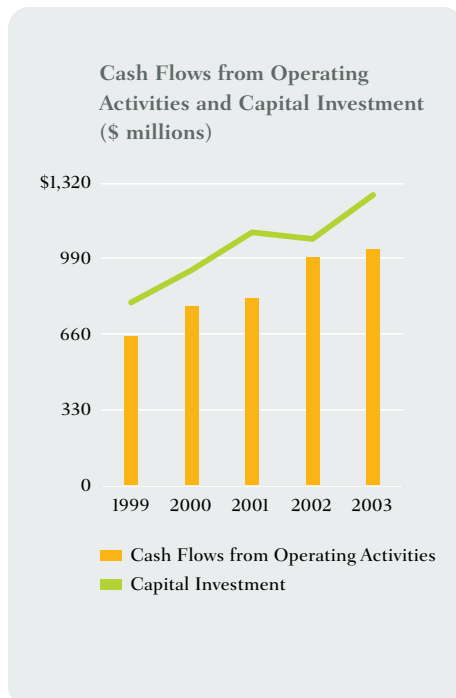
The 2003 corporate and franchised store capital investment program, which includes the impact of store openings and closures, resulted in an increase in net retail square footage of 4.7% over 2002. During 2003, 63 (2002 – 75) new corporate and franchised

stores were opened and 87 (2002 – 84) underwent renovation or minor expansion. The 63 new stores added 1.9 million square feet of retail space (2002 – 2.6 million), net of 61 (2002 – 58) store closures. The 2003 average corporate store size increased 3% to 50,500 square feet (2002 – 48,900) and the average franchised store size increased 4% to 24,400 square feet (2002 – 23,400). The increase in net retail square footage in 2003 was impacted by a delay in new store construction in the third quarter pending the completion of negotiations with several unions.

The Company expects to continue its capital investment pace in 2004 which is estimated at \$1.4 billion. At year end, the Company had committed approximately \$370 million with respect to capital investment projects and the purchase of real property. In 2004, 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 3.2 million square feet, which should generate additional sales growth.

Capital Investment and Store Activity

	2003 (53 Weeks)	2002 (52 Weeks)	Change
Capital investment (\$ millions)	\$ 1,271	\$ 1,079	
Retail square footage (in millions)	42.3	40.4	5%
Average store size (sq. ft.)			
Corporate	50,500	48,900	3%
Franchised	24,400	23,400	4%



Cash Flows from Financing Activities 2003 cash flows from financing activities were \$386 million compared to \$226 million in 2002. During 2003, the Company issued \$655 million of Medium Term Notes ("MTN"). In the first quarter of 2003, the Company issued \$200 million of 6.54% MTN due 2033 under its 2001 Base Shelf Prospectus. The remaining balance of \$500 million on the 2001 Base Shelf Prospectus expired on May 24, 2003. During the second quarter of 2003, Loblaw filed a Base Shelf Prospectus which permits the Company to issue an aggregate principal amount of up to \$1.0 billion of MTN. Under this new 2003 Base Shelf Prospectus, Loblaw issued \$200 million of 6.05% MTN due 2034 during the

second quarter, \$55 million of 5.86% MTN due 2043 during the third quarter and \$200 million of 5.40% MTN due 2013 during the fourth quarter. The Company also repaid its \$100 million 6.60% MTN which matured during the second quarter. Subsequent to year end, the Company issued \$200 million of 6.15% MTN due 2035, resulting in \$345 million of MTN remaining available for issue.

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 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 2003, the Company purchased for cancellation 1,282,900 (2002 – 309,000) of its common shares for \$76 million (2002 – \$17 million) and entered into equity forwards to buy 1,103,500 (2002 – 390,100) of its common shares, pursuant to its NCIB.

Subsequent to year end, the Company purchased for cancellation 132,400 of its common shares for \$8 million, pursuant to its NCIB.

Medium Term Notes Program

(\$ millions)	Base Shelf Prospectus dated	
	May 12, 2003	May 24, 2001
In 2001 issued MTN of		\$ 600
In 2002 issued MTN of		200
In 2003 issued MTN of	\$ 455	200
Total issued against		
Base Shelf Prospectus	\$ 455	\$ 1,000
MTN issue expired		\$ 500
MTN issue limit	\$ 1,000	\$ 1,500
MTN available at		
year end 2003 (1)	\$ 545	

(1) Subsequent to year end, an additional \$200 million of MTN was issued, resulting in the Company having \$345 million of MTN available for issue.

Sources of Liquidity

The Company can obtain 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 uncommitted 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 terms 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 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 \$202 million of credit card receivables during 2003 (2002 – \$244 million). Information on PC Bank's credit card receivables and securitization is provided in Note 6 to the consolidated financial statements and in the Off-Balance Sheet Arrangements section of this MD&A.

The Company obtains its long term financing through its 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 of certain franchisees with no recourse liability to the Company. In addition, the Company establishes standby letters of credit used in connection with certain obligations related to the financing program for its franchisees, securitization of PC Bank's credit card receivables, real estate transactions and benefit and insurance programs. At year end, the aggregate gross potential liability related to the Company's standby letters of credit was approximately \$201 million (2002 – \$179 million) against which the Company had \$293 million (2002 – \$256 million) in credit facilities available to draw on.

The Company has the following sources from which it can fund its 2004 cash requirements: cash, cash equivalents, short term investments, cash flows generated from operating activities, commercial paper program, MTN program and additional credit card receivable securitizations from future growth in the PC Bank credit card operations. In 2004, the Company anticipates no difficulty in obtaining external financing in view of its current credit ratings, its past experience in the capital markets and general market conditions.

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

The rating organizations listed above base their ratings on quantitative and qualitative considerations which are relevant for the Company.

Contractual Obligations

The following illustrates certain of the Company's significant contractual obligations and discusses other obligations as at January 3, 2004:

Summary of Contractual Obligations

(\$ millions)	Payments due by year						Total
	2004	2005	2006	2007	2008	Thereafter	
Long term debt							
(including capital lease obligations)	\$ 106	\$ 215	\$ 129	\$ 5	\$ 393	\$ 3,214	\$ 4,062
Operating leases (1)	159	147	132	117	103	626	1,284
Contracts for purchases of property and capital investment projects (2)	311	53	6				370
Total contractual obligations (3)	\$ 576	\$ 415	\$ 267	\$ 122	\$ 496	\$ 3,840	\$ 5,716

(1) Represents the minimum or base rents payable. Amounts are not offset by any expected sublease income.

(2) These obligations include agreements for the purchase of real property. These agreements may contain conditions that may or may not be satisfied. If the conditions are not satisfied, it is possible the Company will no longer have the obligation to proceed with the transaction. These obligations also include commitments with respect to capital investment projects, such as the construction, expansion and renovation of buildings.

(3) Financial Derivative Instruments are discussed in Note 16 to the consolidated financial statements.

Other contractual obligations not reflected in the table above are discussed below.

In connection with the purchase of Provigo, the Company committed to support Quebec small business and farming communities as follows: for a period of seven years commencing in 1999 and, subject to business dispositions, the aggregate amount of goods and services purchased from Quebec suppliers in the normal course of business will not fall below those of 1998. The Company has fulfilled its commitment in each year from 1999 to and including 2003.

At year end, the Company had other long term liabilities which included accrued pension and other benefits plans liability, future income taxes liability and stock-based compensation liability. These long term liabilities have not been included in the table above for the following reasons:

- future contributions to the Company's pension plans depend on the funded status of each plan, which may vary based on the results of actuarial valuations and on the investment performance of the pension plans' assets,

These ratings are intended to give an indication of the risk that the Company will not fulfill its obligations in a timely manner and do not take certain factors into account, such as market or pricing risk, since these must be considered by investors as factors in their investment process.

- future payments of other benefit plans liability, principally post-retirement benefits, depend on when and if retirees submit claims,
- future payments of income taxes depend on the levels of taxable earnings, and
- future payments of the share appreciation value on employee stock options depend on whether employees exercise their stock options, the market price of the Company's common shares on the exercise date and the manner in which they exercise those stock options.

At any given time, the Company will have significant commitments with respect to purchases of goods and services in the normal course of business, such as the purchase of inventory, often in the form of outstanding purchase orders or invoices. Although a small number of these contracts are long term, such as certain arrangements for warehousing and distribution, they are generally short term in nature and are settled in accordance with normal trade terms.

Off-Balance Sheet Arrangements

In the normal course of business, the Company enters into the following off-balance sheet arrangements:

- guarantees,
- the securitization of a portion of PC Bank's credit card receivables through an independent trust,
- a standby letter of credit to an independent trust which provides loans to the Company's franchisees for their purchase of inventory and fixed assets, and
- financial derivative instruments in the form of interest rate swaps and an electricity forward contract.

Guarantees The Company has entered into various guarantee agreements. For a detailed description of the Company's guarantees, see Note 17 to the consolidated financial statements.

Credit Card Receivables The Company, through its wholly owned subsidiary PC Bank, securitizes credit card receivables through an independent trust administered by a major Canadian bank. In these securitizations, PC Bank sells a portion of its credit card receivables to the trust in exchange for cash. The trust funds these purchases by issuing debt securities in the form of commercial paper to third party investors. The securitizations are accounted for as asset sales only when PC Bank transfers control of the transferred assets and receives consideration other than beneficial interests in the transferred assets. All transactions between the trust and PC Bank have been, and are expected to continue to be, accounted for as sales as contemplated by Accounting Guideline 12, "*Transfers of Receivables*". As PC Bank does not control or exercise any measure of influence over the trust, the financial results of the trust have not been included in the Company's consolidated financial statements.

When the Company sells credit card receivables to the trust it no longer has access to the receivables but continues to maintain credit card customer account relationships and servicing responsibilities. The Company does not receive an explicit servicing fee from the trust for its servicing responsibilities. When a sale occurs, PC Bank may retain subordinated interests consisting of rights to future cash flows after

obligations to the investors in the trust have been met and credit enhancement deposits in the form of a cash reserve account, both of which are considered to be a retained interest. The trust's recourse to PC Bank's assets is limited to PC Bank's retained interests and is further supported through a standby letter of credit provided by a major Canadian bank for 15% of the securitized amount. This standby letter of credit could be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables, after the cash reserve account established pursuant to the securitization agreement has been depleted. The Company has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit. The carrying value of the retained interests is periodically reviewed and when a decline in value is identified that is other than temporary, the carrying value is written down to fair value.

As at January 3, 2004, the total amount of securitized credit card receivables outstanding which PC Bank continues to service was \$558 million and the associated retained interests amounted to \$9 million. The standby letter of credit supporting these securitized receivables amounted to approximately \$84 million. During 2003, PC Bank received income of \$53 million from the independent trust relating to the securitized credit card receivables.

In the absence of securitization, the Company would be required to raise alternative financing by issuing debt or equity instruments. Further disclosure regarding this arrangement is provided in Notes 6 and 17 to the consolidated financial statements.

Standby Letter of Credit to an Independent Trust

Franchisees of the Company may obtain financing from an independent trust that was created to provide loans to franchisees to facilitate their purchase of inventory and fixed assets, mainly fixturing and equipment. The trust's activities are financed through the issuance of short term asset-backed notes to third party investors. The total amount of loans outstanding to the Company's franchisees as of January 3, 2004 was \$343 million. A standby letter of credit has been provided for the benefit of the trust by a major Canadian bank for approximately 10% of the principal

amount of the loans or \$35 million as a form of credit enhancement which, in turn, allows the trust to provide favourable financing terms to the Company's franchisees. In the event that a franchisee defaults on its loan and the Company has not, within a specified time period, (i) assumed the loan, (ii) purchased the assets of the defaulting franchisee over which security has been taken by the trust, or (iii) provided for an increase of the amount of the standby letter of credit by the outstanding amount under the loan, the trust may draw upon this standby letter of credit or realize on its security. The Company has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit.

In accordance with current accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"), the financial statements of the trust are not consolidated with those of the Company. The discussion in the Future Accounting Standards section of this MD&A concerning Accounting Guideline 15, "*Consolidation of Variable Interest Entities*", includes a discussion concerning the possible application of this accounting guideline to the trust.

Financial Derivative Instruments The Company uses off-balance sheet financial derivative instruments to manage its exposure to changes in interest rates and Ontario electricity prices. For a detailed description of the Company's off-balance sheet financial derivative instruments and the related accounting policies, see Notes 1 and 16 to the consolidated financial statements.

SELECTED CONSOLIDATED ANNUAL INFORMATION

The selected consolidated annual information extracted from the Company's consolidated financial statements was prepared in accordance with Canadian GAAP and is reported in Canadian dollars. The analysis of the data contained in the table focuses on the trends affecting the financial condition and results of operations over the two year period.

Selected Consolidated Annual Information

(\$ millions except where otherwise indicated)	2003 (53 Weeks)	2002 (52 Weeks)	2001 (52 Weeks)
Sales	\$ 25,220	\$ 23,082	\$ 21,486
Net earnings	\$ 845	\$ 728	\$ 563
Net earnings per common share (\$)			
Basic	\$ 3.07	\$ 2.64	\$ 2.04
Diluted	\$ 3.05	\$ 2.62	\$ 2.03
Total assets	\$ 12,177	\$ 11,110	\$ 10,025
Long term debt (excluding amount due within one year)	\$ 3,956	\$ 3,420	\$ 3,333
Dividends declared per common share (\$)	\$.60	\$.48	\$.40

Sales in 2003 increased 9.3% to \$25.2 billion from \$23.1 billion in 2002. Sales growth for 2003 includes a 2% positive impact from the 53rd week. The sales increase also resulted from increased same-store sales on an equivalent 53 week basis and increased net retail square footage. Sales for 2003 were impacted by the investment in lower pricing and a delay in new store construction.

Sales in 2002 increased 7.4% to \$23.1 billion from \$21.5 billion in 2001. All regions experienced sales growth overcoming the effects of intensified lower pricing activity in Quebec, the effects of strikes in the *Fortinos* business and the RCSS business in Saskatchewan and unseasonable weather in Ontario and Quebec. An increase in same-store sales and net retail square footage also contributed to the increase in sales.

Excluding the impact of the 53rd week in 2003, sales growth has been reasonably consistent over the past two years.

Sales may be influenced by a number of factors including changes in net retail square footage, same-store sales, inflation, expansion into new services and/or departments and the activities of competitors. Over the past two years, the Company has invested more than \$1 billion in capital annually, resulting in an increase in net retail square footage of approximately 4.5 million square feet or 12%. In addition to the net increase in retail square footage, corporate store sales per average square foot rose from \$566 in 2001 to \$591 in 2003. The amount of new net retail square footage and the timing of the

store openings and closures within any given year may vary; however, there have not been significant variances in the annual increase in weighted average retail square footage. The weighted average increase in net retail square footage was 5.6% in 2003 and 6.2% in 2002.

Growth in same-store sales was 4.6% in 2002 and 4.6% in 2003 on an equivalent 53 week basis. Inflation over this period has been low. In addition, in its pursuit of improving its value proposition Loblaw has invested in lower prices establishing price leadership in specific markets. Consistent with its strategy of focusing on food but serving the consumer's everyday household needs, the Company has also expanded its non-food offerings over this period, which has resulted in non-food retail sales growth at approximately twice the rate of food retail sales growth in 2003. Competitor activity varies by market. Any negative effect on the Company's sales from this activity may be caused by increased price competition and the addition of retail square footage by competitors in markets in which Loblaw operates. While the impact of competitor activity has varied within markets over the past two years, it has not caused significant variations in overall sales growth.

In 2003, net earnings increased \$117 million or 16.1% and basic net earnings per common share increased 43 cents or 16.3% over 2002. This improvement included an increase of 12.6% in operating income, offset by a 21.7% increase in interest expense. The effective income tax rate declined by 2.8%.

In 2002, net earnings increased \$165 million or 29.3% and basic net earnings per common share increased 60 cents or 29.4% over 2001. The improvement was due to a change in accounting standards that became effective in 2002 that no longer required the amortization of goodwill, an increase in operating income of 14.7% over 2001 and a 3.4% decline in the effective income tax rate.

Operating income in 2003 has shown improvement year over year despite absorbing a \$25 million charge from the voluntary early retirement offer accepted by employees affected by the new RCSS labour arrangement. The increase in certain expenses such as pension, post-retirement and post-employment benefits and stock-based compensation has been offset by reduced retail operating costs and gains from the fair value impact of the equity forwards. Initiatives

to reduce retail operating costs have been successful in the areas of inventory shrinkage and labour efficiency, and complement similar cost minimizing initiatives within the warehouse and distribution network and administrative functions. The capital investment program resulted in new, larger stores replacing older, smaller stores, which dampened short term earnings growth as sales developed and leveraged lower variable costs off the new fixed cost base. Net interest expense has increased, reflecting the increased borrowing levels required to support the Company's funding requirements. Statutory income tax rate reductions, the income tax impact of fair valuing the equity forwards and the impact from the discontinuance of goodwill amortization in 2002 have all contributed to the declining effective income tax rate.

Total assets of the Company have increased with operating income growth as evidenced by the increase in the return on average total assets. Fixed assets have grown as a result of the capital investment program. Inventory level growth parallels that of the growth in new stores and the necessary supply chain inventory investment to support new stores. Inventory turns of non-food are lower than those of food, resulting in somewhat higher aggregate levels of investment in inventory as that business is developed. Accounts receivable from franchised stores, associated stores and independent accounts have grown consistently with that business. A substantial portion of credit card receivables is sold to an independent trust and the unsecured balance has increased by \$99 million since 2001.

Although cash flows from operating activities have covered a large portion of the funding requirements for the Company, external funding was also required. The amount of fixed rate debt issued in any given year is intended to continue to preserve the Company's liquidity needs.

Dividends declared per common share have been consistent with the Company's policy of maintaining a dividend payment equal to approximately 20% to 25% of the prior year's normalized basic net earnings per common share.

During the two year period, the Company implemented two accounting standards that impacted the financial information presented. During the first quarter

of 2002, the Company prospectively implemented Section 3062, “*Goodwill and Other Intangible Assets*”, which no longer requires the amortization of goodwill but does require the carrying value of goodwill to be tested annually, at a minimum, for impairment. If this standard had been applied to 2001 results, net earnings would have increased by \$43 million and basic net earnings per common share would have increased by 16 cents. Also during the first quarter of 2002, the Company implemented Section 3870,

“*Stock-based Compensation and Other Stock-based Payments*”, retroactively without restatement of the prior period consolidated financial statements. As a result of implementing Section 3870, costs related to employee stock options that allow for settlement in shares or in the share appreciation value in cash at the option of the employee are recognized as compensation cost in operating income. This compensation cost is partially offset by the fluctuation in the fair value of the equity forwards.

QUARTERLY RESULTS OF OPERATIONS

Results by Quarter

The 52 week reporting cycle followed by the Company is divided into four quarters of 12 weeks each except for the third quarter which is 16 weeks in duration. When a fiscal year such as 2003 contains 53 weeks, the fourth quarter is 13 weeks in duration. The following is a summary of selected consolidated financial information derived from the Company’s unaudited interim consolidated financial statements for each of the eight most recently completed quarters. This information was prepared in accordance with Canadian GAAP and is reported in Canadian dollars.

Summary of Quarterly Results (unaudited)

(\$ millions except where otherwise indicated)		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total (audited)
Sales	2003	\$ 5,376	\$ 5,798	\$ 7,673	\$ 6,373	\$ 25,220
	2002	\$ 4,951	\$ 5,308	\$ 7,178	\$ 5,645	\$ 23,082
Net earnings	2003	\$ 151	\$ 182	\$ 218	\$ 294	\$ 845
	2002	\$ 126	\$ 149	\$ 188	\$ 265	\$ 728
Net earnings per common share						
Basic (\$)	2003	\$.55	\$.66	\$.79	\$ 1.07	\$ 3.07
	2002	\$.46	\$.54	\$.68	\$.96	\$ 2.64
Diluted (\$)	2003	\$.55	\$.65	\$.79	\$ 1.06	\$ 3.05
	2002	\$.46	\$.53	\$.68	\$.95	\$ 2.62

Sales growth and same-store sales growth were strong in the first half of 2003 and declined slightly in the latter half of the year. Sales increases in 2003 for the first and third quarters were relatively consistent with those of the prior year. Sales in the third quarter of 2003 were negatively impacted by the delay in new store construction pending the completion of negotiations with several unions. Fourth quarter sales increased 12.9% including an 8% positive impact from the 53rd week in 2003 compared to 7.5% in 2002. In the second quarter in 2002, the sales increase was negatively impacted by a two week strike in the RCSS business in Saskatchewan and unseasonable weather in Ontario and Quebec. Holidays such as Easter, Thanksgiving and Christmas have fallen within the same quarters year over year.

For the first three quarters of 2003, operating margin improved steadily over the respective quarters of 2002. Fourth quarter operating income in 2003 was negatively impacted by the \$25 million charge for the voluntary early retirement offer accepted by the Ontario employees affected by the new RCSS labour arrangement. Operating margins in the fourth quarter are generally stronger than those generated during the other quarters due to a more profitable sales mix.

Interest expense increased in the third and fourth quarters because of increased average borrowing levels outstanding.

The effective income tax rate declined over last year mainly as a result of the 2% reduction in the federal statutory income tax rate. Income tax expense for the fourth quarter of 2003 includes a \$7 million charge for an adjustment to the future income tax balances caused by the increase in corporate income taxes enacted by the Ontario provincial government. Fluctuations in the effective income tax rate on a quarterly basis were mainly caused by the fair value impact of the equity forwards.

Throughout 2003 and 2002 the Company purchased common shares for cancellation pursuant to its NCIB. The weighted average number of common shares outstanding has not been significantly impacted by these purchases.

Fourth Quarter Results

The Company's 2003 fourth quarter results of operations, financial condition and cash flows were affected by the following:

- sales for the 53rd week, which had a positive 8% impact on sales growth in the quarter,
- same-store sales growth of 3.3% on an equivalent 13 week basis,
- a \$25 million charge to operating income related to the voluntary early retirement offer,
- an adjustment to future income tax balances to reflect both the increase in the provincial income tax rate to 14% in 2004 from 12.5% in 2003 and the Ontario government's repeal of income tax rate reductions of 1.5% scheduled for each of 2004, 2005 and 2006 which resulted in a \$7 million charge to the future income tax expense, and
- an increase of 1.0 million square feet in net retail space.

Further discussion and analysis on the fourth quarter results is provided in the Company's 2003 Fourth Quarter Preliminary Report.

RISKS AND RISK MANAGEMENT

Operating Risks and Risk Management

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

Industry The retail 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 past several years, consumers have demanded more quality, value and convenience. If the Company is ineffective in responding to these demands, its financial performance could be negatively impacted.

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. The Company's control label program represents a significant competitive advantage because it enhances customer loyalty by offering superior value and provides some protection against national brand pricing strategies.

Competitive Environment The Company faces competition from many types of non-traditional competitors, such as mass merchandisers, warehouse clubs, drug stores and specialty stores, which 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 is also subject to competitive pressures from new entrants into the marketplace and from the potential consolidation of existing competitors.

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 to 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 and competitive risks.

Increased competition could affect the Company's ability to achieve its objectives. The Company's inability to compete effectively with its current or any future competitors could result in, among other things, lessening of market share and lower pricing in response to its competitors' pricing activities.

Food Safety Loblaw is subject to potential liabilities connected with its business operations, including potential liabilities and expenses associated with product defects, food safety and product handling. Such liabilities may arise in relation to the storage, distribution and display of products and, with respect to the Company's control label products, in relation to the production, packaging and design of products.

A large majority of the Company's sales are generated from food products and the Company could be vulnerable in the event of a significant outbreak of food-borne illness or increased public health concerns in connection with certain food products. Such an event could materially affect the Company's financial performance. Procedures are in place to manage food crises should they occur. These procedures identify risks, provide clear communication to employees and consumers and ensure that potentially harmful products are removed from inventory immediately. Food safety related liability exposures are insured by the Company's insurance program. In addition, Loblaw has food safety procedures and programs which address safe food handling and preparation standards. The Company employs best practices for storage and distribution of food products. The Company is intensifying the campaign for consumer awareness on safe food handling and consumption.

Labour A significant portion of the Company's workforce is unionized. Renegotiating collective agreements might result in work stoppages or slowdowns, which could materially affect the Company's financial performance, depending on their nature and duration. 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. There were significant labour negotiations across the Company in 2003; 54 collective agreements expired and another 54 collective agreements were successfully negotiated. The 2003 labour negotiations were challenging and resulted in a

labour disruption of short duration in the Dominion banner in Newfoundland and Labrador, which was ultimately resolved and resulted in a collective agreement of 41 months in duration. In 2004, 76 collective agreements affecting approximately 9,000 employees will expire, with the single largest agreement covering approximately 2,300 employees. The Company will also continue to negotiate the 48 collective agreements carried over from 2000 to 2003 and anticipates no labour disruption with respect to these negotiations. 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.

Several of the Company's competitors operate in a non-union environment. These competitors may benefit from lower labour costs, making it more difficult for the Company to compete.

Third Party Service Providers Certain aspects of the Company's business are significantly affected by third parties. While appropriate contractual arrangements are put in place with these third parties, the Company has no direct influence over how such third parties are managed. It is possible that negative events affecting these third parties could in turn negatively impact the Company's operations.

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

President's Choice Financial banking 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, operate call centres and 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 relationships 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. Products offered by *PC Financial* Insurance are provided by companies within the Aviva Canada group, the Canadian subsidiary of a major international property and casualty insurance provider.

Pension, Post-Retirement and Post-Employment Benefits

In order to measure the obligations and expenses of Company-sponsored pension, post-retirement and post-employment benefit plans, the Company is required to use various 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 2004 key economic assumptions used in measuring the accrued benefit plan obligations and related expenses of the Company's

Benefit Plans Sensitivity Analysis

(\$ millions except where otherwise indicated)	Pension Benefit Plans		Other Benefit Plans	
	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		\$ (8)		
1% decrease		\$ 8		
Discount rate	6.25%	6.25%	6.0%	6.0%
Impact of: 1% increase	\$ (110)	\$ (10)	\$ (19)	\$ (3)
1% decrease	\$ 126	\$ 16	\$ 22	\$ 3
Growth rate of health care costs (1)			9.0%	9.0%
Impact of: 1% increase			\$ 19	\$ 4
1% decrease			\$ (17)	\$ (3)

(1) Gradually decreasing to 5.0% in 2011 and remaining at that level thereafter.

For 2004, the Company has assumed an 8.0% (2003 – 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. The Company's defined benefit pension plan assets had a 10 year annualized return of 8.9% in 2003. The actual annual returns per annum within this 10 year period varied with market conditions.

The poor performance of financial markets in recent years combined with interest rates at 40 year lows have negatively impacted the funding of the Company's defined benefit pension plans. During 2003, the Company voluntarily made a lump sum contribution to its defined benefit pension plans of \$34 million, bringing the total contribution to \$93 million (2002 – \$13 million). During 2004, the Company expects to contribute approximately \$25 million to these plans.

pension and other benefit plans. The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of 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 the impact of such variables. Actuarial gains or losses are amortized in accordance with Canadian GAAP, further reducing the volatility associated with these changes.

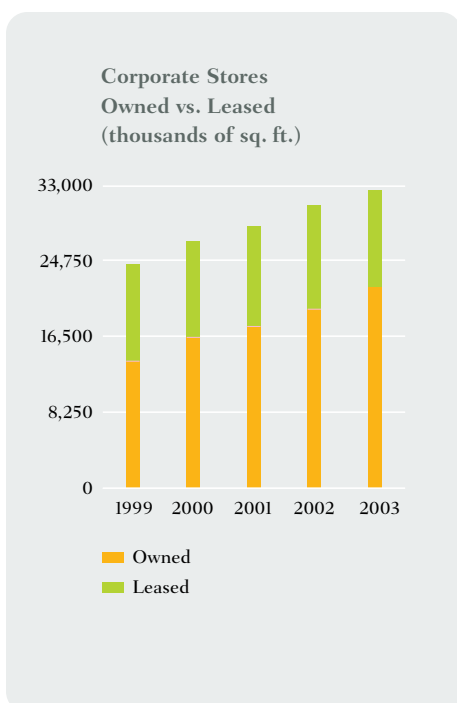
While the Company's pension plans are currently adequately funded and returns on pension plan assets are in line with expectations, there is no assurance that this will continue. An extended period of depressed capital markets and low interest rates could require the Company to make significant contributions to its pensions plans, which in turn could have a material effect on its financial performance.

In addition to the Company-sponsored pension plans, the Company participates in various multi-employer pension plans, providing pension benefits in which approximately 41% (2002 – 40%) of employees of the Company and of its franchisees participate. The administration of these plans and the investment of their assets are legally controlled by a board of independent trustees generally consisting of an equal number of union and employer representatives. In some

circumstances, Loblaw may have a representative on the board of trustees of these multi-employer pension plans. The Company's responsibility to make contributions to these plans is limited by the amounts established pursuant to its collective agreements. Pension expense for these plans is recognized as contributions are paid.

Real Estate The availability and conditions affecting the acquisition and development of real estate properties may impact the Company's strategies and financial performance. 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 by allowing the Company to introduce new departments and services that could be precluded under operating leases. At year end 2003, the Company owned 67% (2002 – 63%) of its corporate store square footage.

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 expands its non-food offering, it may increase the number of seasonal products offered and therefore, its operations may be subject to more seasonal fluctuations.



Leadership Development and Employee Retention Effective leadership is essential to sustaining the growth and success of the Company. The Company continues to focus on the development of leaders at all levels and across all regions by executing tailored leadership development programs that provide the knowledge and skills necessary to drive positive change and ensure effective execution. The degree to which the Company is effective in developing its leaders and retaining key employees could affect its ability to execute its strategies, efficiently run its operations and meet its goals for financial performance.

In 2002, the Company announced the construction of a new office facility in Brampton that will consolidate eight administrative and operating offices from across southern Ontario by 2005, which may result in some short term employee turnover.

Utility Prices The Company is a significant consumer of electricity and other utilities. Unanticipated increases in the cost of these utilities could affect the Company's financial performance. In 2002, the government of Ontario deregulated the electricity market in that province. 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 contract, which expires in May 2005. This contract maintains a portion of the Company's electricity costs at approximately 2001 rates.

Insurance The Company effectively limits its exposure to risk through a combination of appropriate levels of self-insurance and the purchase of various insurance coverages including an integrated insurance program. The Company's insurance program is based on various lines and limits of coverage which provides the appropriate level of retained and insured risks. Insurance is arranged on a multi-year basis with reliable, financially stable insurance companies as rated by A.M. Best Company, Inc. The Company combines comprehensive risk management programs and the active management of claims handling and litigation processes by using internal professionals and external technical expertise to manage the risk it retains.

Environmental, Health and Safety The Company has effective environmental programs in place and has established policies and procedures aimed at ensuring compliance with applicable environmental legislative requirements. To this end, the Company employs environmental risk assessments and audits using internal and external resources together with effective employee awareness programs 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 performance. The Company has a health and safety program designed to address health and wellness, workplace safety and compliance with internal and regulatory guidelines for workplace health and safety.

The Environmental, Health and Safety Committee of the Board receives reports which review outstanding issues, identify new legislative concerns and outline related communication efforts.

Legal, Taxation and Accounting Changes to any of the laws, rules, regulations or policies related to the Company's business including the production, processing, preparation, distribution, packaging and labelling of its products could have a significant impact on its financial performance. In the course of complying with such changes, the Company may incur significant costs. Failure by the Company to fully comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines, injunctions, recalls or seizures, which may have a material adverse effect on the Company's financial performance.

There can be no assurance that the tax laws and regulations in the jurisdictions affecting the Company will not be changed in a manner which could adversely affect the Company. New accounting pronouncements introduced by appropriate authoritative bodies may impact the Company's financial performance.

Holding Company Structure Loblaw Companies Limited is a holding company. As such, it does not carry on business directly but does so through its subsidiaries. It has no major source of income or assets of its own, other than the interests it has in its subsidiaries, which are all separate legal entities. Loblaw Companies Limited is therefore financially dependent on dividends and other distributions it receives from its subsidiaries.

Financial Risks and Risk Management

In the normal course of its business, the Company is exposed to financial risks that have the potential to negatively affect its financial performance. The risks relating to the Company's financing activities include changes in foreign currency exchange rates, interest rates, market price of the Company's common shares and electricity prices in Ontario. These risks and the actions taken to minimize them are discussed below. The Company is also exposed to credit risk on certain of its financial instruments.

Financial Derivative Instruments The Company uses over-the-counter financial derivative 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. The Company has also entered into an electricity forward contract to partially offset electricity price volatility. The Company maintains treasury centres that operate under policies and guidelines approved by the Board covering funding, investing, foreign currency exchange, equity and interest rate management. The Company's policies and guidelines prevent it from using any financial derivative instrument for trading or speculative purposes. See Notes 1 and 16 to the consolidated financial statements for additional information on the Company's financial derivative instruments.

Foreign Currency Exchange Rate The Company enters into cross currency basis swaps to manage its current and anticipated exposure to fluctuations in foreign currency exchange rates. The Company's cross currency basis swaps are transactions in which floating interest payments and principal in United States dollars are exchanged against the receipt of floating interest payments and principal in Canadian dollars. These cross currency basis swaps limit the Company's exposure against foreign currency exchange

rate fluctuations on a portion of its United States dollar denominated 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. Interest rate swaps are transactions in which the Company exchanges interest flows with a counterparty on a specified notional amount for a predetermined period based on agreed upon fixed and floating interest rates. Notional amounts are not exchanged. 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 equity forwards change in value as the market price of the underlying common shares changes which effectively results in a partial offset to fluctuations in the Company's stock-based compensation cost. The partial offset between the Company's stock-based compensation costs and the equity forwards is effective as long as the market price of the Company's common shares exceeds the exercise price of employee stock options.

Electricity Prices The Company entered into an electricity forward contract to partially offset its volatility in the price of electricity in Ontario. The forward contract changes in value as the price of electricity changes.

Counterparty Over-the-counter financial derivative instruments are subject to counterparty risk. Counterparty risk arises from the possibility that market changes may affect a counterparty's position unfavourably and that the counterparty defaults on its obligations to the Company. The Company has sought to minimize potential counterparty risk and losses by implementing a policy that allows such transactions only with counterparties that have, at a minimum, a

long term 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 mitigate counterparty risk to the extent that unfavourable contracts with the same counterparty can be legally netted against the settlement of favourable contracts.

Credit The Company's exposure to credit risk relates to the Company's cash equivalents and short term investments, PC Bank's credit card receivables and accounts receivable from franchisees, associates and independent accounts.

Credit risk associated with the Company's cash equivalents and short term investments results from the possibility that a counterparty may default on the repayment of a security. This risk is mitigated by the Company's policies and guidelines that require issuers of permissible investments to have a minimum A credit rating from a recognized credit rating agency and specify minimum and maximum exposures to specific issuers.

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 stringent credit scoring techniques, actively monitors the credit card portfolio and reviews techniques and technology that can improve the effectiveness of its collection process. In addition, these receivables are dispersed among a large, diversified group of credit card customers.

The Company also has accounts receivable from its franchisees, associates and independent accounts, mainly as a result of sales to these customers. The Company actively monitors the balances on an ongoing basis and collects funds from its franchisees on a weekly basis in accordance with terms specified in the applicable agreements.

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 approximately 3% (2002 – 3%) of the cost of sales, selling and administrative expenses.

Pursuant to an investment management agreement, the Company, through Glenhuron Bank Limited, a wholly owned subsidiary of the Company, 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 are based on market rates and are included in interest expense.

ACCOUNTING STANDARDS

Accounting Standards Implemented in 2003

Effective December 29, 2002, the Company implemented Accounting Guideline (AcG) 14, "Disclosure of Guarantees" issued by the CICA (see Note 17 to the consolidated financial statements). AcG 14 requires the Company to disclose significant information about guarantees it has provided without regard to the likelihood that the Company will have to make any payments under those guarantees, and is in addition to the requirements under Section 3290, "Contingencies".

In addition, the Company has implemented the revisions to Section 3475, "Disposal of Long-lived Assets and Discontinued Operations" and the new Emerging Issues Committee (EIC) Abstracts 134, "Accounting for Severance and Termination Benefits" and EIC 135, "Accounting for Costs Associated with Exit and Disposal Activities". Section 3475 replaces the existing Section 3475, "Discontinued Operations" and the disposal provisions of Section 3061, "Property, Plant and Equipment". These recommendations address the recognition, measurement, presentation, and disclosure of disposal activities initiated after May 1, 2003. EIC 134 addresses the recognition, measurement and disclosure associated with various types of severance and termination benefits resulting from the termination of employees' services prior to normal retirement. EIC 135 addresses recognition, measurement and disclosure associated with exit and disposal activities. These EICs

require that costs be recognized when the liability is incurred rather than at the date of a commitment to an exit or restructuring plan and were effective for activities undertaken after March 31, 2003. The implementation of these recommendations has not had a material impact on the Company's financial position or results of operations.

Future Accounting Standards

The Company closely monitors new accounting pronouncements and changes in current accounting standards to assess the impact, if any, on its consolidated financial statements. The Company is currently reviewing or has implemented the following pronouncements issued by the CICA:

- AcG 13, "Hedging Relationships", addresses the identification, designation, documentation and effectiveness of hedging relationships for the purposes of applying hedge accounting. The Company has completed the required documentation and effectiveness testing of its hedging relationships as at January 4, 2004 and has determined that no material changes to its accounting for hedging relationships are required.
- Section 3063, "Impairment of Long-lived Assets", addresses the recognition, measurement and disclosure of impairment of long-lived assets. Accordingly, long-lived assets are reviewed for impairment when events or circumstances indicate that the carrying value of the assets or the asset group may not be recoverable. An impairment loss is recognized when the carrying value of long-lived assets exceeds the sum of the undiscounted cash flows expected to result from their use and eventual disposition. An impairment loss is measured as the amount by which the long-lived assets' carrying value exceeds their fair value. These recommendations are effective for fiscal years beginning on or after April 1, 2003. The Company is currently assessing the impact of these recommendations and will implement them in the first quarter of 2004.
- Section 3110, "Asset Retirement Obligations", addresses recognition, measurement and disclosure of legal obligations associated with the costs to retire long-lived assets. These recommendations are effective for fiscal years beginning on or after January 1, 2004. The Company is currently reviewing its legal obligations with respect to asset retirement obligations and will implement these recommendations in the first quarter of 2004.

- EIC 144, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor", was issued in January 2004 and addresses accounting for cash consideration received from a vendor. EIC 144 provides that cash consideration received from a vendor is presumed to be a reduction in the prices of the vendor's products or services and should, therefore, be characterized as a reduction in cost of sales and related inventory when recognized in the customer's income statement and balance sheet. However, that presumption is overcome when consideration is a payment for assets or services delivered to the vendor, in which case the cash consideration should be characterized as revenue or other income, or it is a reimbursement of costs incurred to sell the vendor's products, in which case the cash consideration should be characterized as a reduction of that cost, provided certain conditions are met. EIC 144 requires retroactive application to all financial statements for annual and interim periods ending after August 15, 2004. The Company is currently assessing the impact of these recommendations and will implement them in the third quarter of 2004.
- AcG 15, "Consolidation of Variable Interest Entities", issued in June 2003, provides guidance for applying consolidation principles to entities that are subject to control on a basis other than ownership of voting interests. The recommendations require the identification of the Company's participation in variable interest entities ("VIEs"), which are defined as entities with insufficient equity at risk to finance its activities without additional subordinated financial support from other parties. Entities identified as VIEs are to be consolidated by the primary beneficiary, who holds the majority of the exposure to the expected losses or stands to gain from the majority of the expected returns. Based on the current requirements of AcG 15, the Company is reviewing its interest in unconsolidated entities to identify potential VIEs. Among the entities under review is an independent trust, which provides loans to the Company's franchisees for the purchase of inventory and fixed assets, mainly fixturing and equipment. This independent trust has been identified as a VIE and the Company is evaluating the resulting impact. The CICA is

monitoring developments by the United States Financial Accounting Standards Board ("FASB"), regarding FASB Interpretation No. 46 (Revised December 2003) ("FIN 46R"), "Consolidation of Variable Interest Entities". It is expected that AcG 15 will be amended in 2004 to harmonize with FIN 46R and therefore the effective date of AcG 15 has been deferred to fiscal years beginning on or after November 1, 2004. The Company is monitoring these developments and will implement these recommendations as required in the first quarter of 2005.

OUTLOOK

The Company had another successful year in 2003, maintaining a strong financial position and continuing to generate good cash flows while supporting its \$1.3 billion capital investment program. Management believes that 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 investing in competitive pricing. It also plans to continue investing capital in its retail portfolio as well as its warehouse and distribution network, while maintaining its focus on product and service innovation. It anticipates another successful year in 2004 with sales growth consistent with that of the past several years and net earnings growth slightly below that of the past several years.

NON-GAAP FINANCIAL MEASURES

The Company reports its financial results in accordance with Canadian GAAP. However, the Company has included certain non-GAAP financial measures and ratios which it believes provide useful information to both management and readers of this Annual Report in measuring the financial performance and financial condition of the Company. These measures do not have a standardized meaning prescribed by GAAP and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other earnings measures determined in accordance with Canadian GAAP.

EBITDA The Company believes EBITDA is useful as an indicator of its operational performance and its ability to generate cash flows to fund its cash requirements, including the Company's capital investment program. The following table reconciles EBITDA to Canadian GAAP measures reported in the consolidated statements of earnings:

(\$ millions)	2003 (53 weeks)	2002 (52 weeks)
Operating income	\$ 1,467	\$ 1,303
Depreciation	393	354
EBITDA	\$ 1,860	\$ 1,657

Net Debt The Company calculates net debt as the sum of long term debt and short term debt offset by cash, cash equivalents and short term investments and believes this measure is useful in evaluating the amount of leverage employed by the Company. The following table reconciles net debt used in the net debt to equity ratio to Canadian GAAP measures reported in the consolidated balance sheets:

(\$ millions)	2003	2002
Bank indebtedness	\$ 38	
Commercial paper	603	\$ 533
Long term debt due within one year	106	106
Long term debt	3,956	3,420
Less:		
Cash and cash equivalents	618	823
Short term investments	378	304
Net debt	\$ 3,707	\$ 2,932

Total Assets The Company uses the return on average total assets ratio to measure the performance of operating assets and therefore excludes cash, cash equivalents and short term investments from the total assets used in this ratio. The Company believes this results in a more accurate measure of the performance of its operating assets. The following table reconciles total assets used in the return on average total assets measure to Canadian GAAP measures reported in the consolidated balance sheets:

(\$ millions)	2003	2002
Total assets	\$ 12,177	\$ 11,110
Less:		
Cash and cash equivalents	618	823
Short term investments	378	304
Total assets	\$ 11,181	\$ 9,983

ADDITIONAL INFORMATION

Additional financial information, including the Company's Annual Information Form, has been filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and is available online at www.sedar.com.

March 9, 2004
Toronto, Canada

Financial Results

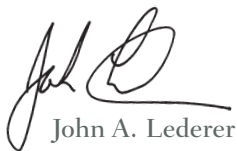
MANAGEMENT'S STATEMENT OF RESPONSIBILITY FOR FINANCIAL REPORTING

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 judgments 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 to and independent of 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 activities and financial reporting matters. 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 9, 2004



John A. Lederer
PRESIDENT



Richard P. Mavrincac
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 January 3, 2004 and December 28, 2002 and the consolidated statements of earnings, retained earnings and cash flow for the 53 week and 52 week years then ended, respectively. 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 January 3, 2004 and December 28, 2002 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.



Toronto, Canada
March 9, 2004

Chartered Accountants

Consolidated Statements of Earnings

For the years ended January 3, 2004 and December 28, 2002
(\$ millions except where otherwise indicated)

	2003 (53 weeks)	2002 (52 weeks)
SALES	\$ 25,220	\$ 23,082
OPERATING EXPENSES		
Cost of sales, selling and administrative expenses	23,360	21,425
Depreciation	393	354
	23,753	21,779
OPERATING INCOME	1,467	1,303
Interest Expense (note 3)	196	161
EARNINGS BEFORE INCOME TAXES	1,271	1,142
Income Taxes (note 7)		
Provision	419	414
Other	7	
	426	414
NET EARNINGS	\$ 845	\$ 728
NET EARNINGS PER COMMON SHARE (\$) (note 4)		
Basic	\$ 3.07	\$ 2.64
Diluted	\$ 3.05	\$ 2.62

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Retained Earnings

For the years ended January 3, 2004 and December 28, 2002
(\$ millions except where otherwise indicated)

	2003 (53 weeks)	2002 (52 weeks)
RETAINED EARNINGS, BEGINNING OF YEAR	\$ 2,929	\$ 2,375
Impact of implementing new accounting standard (note 1)		(25)
Net earnings	845	728
Premium on common shares purchased for cancellation (note 14)	(71)	(16)
Dividends declared per common share – 60¢ (2002 – 48¢)	(165)	(133)
RETAINED EARNINGS, END OF YEAR	\$ 3,538	\$ 2,929

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets

As at January 3, 2004 and December 28, 2002

(\$ millions)

	2003	2002
ASSETS		
Current Assets		
Cash and cash equivalents (note 5)	\$ 618	\$ 823
Short term investments (note 5)	378	304
Accounts receivable (note 6)	588	571
Inventories	1,778	1,702
Future income taxes (note 7)	92	68
Prepaid expenses and other assets	31	24
Total Current Assets	3,485	3,492
Fixed Assets (note 8)	6,422	5,587
Goodwill (note 9)	1,607	1,599
Future Income Taxes (note 7)	7	15
Other Assets (note 10)	656	417
TOTAL ASSETS	\$ 12,177	\$ 11,110
LIABILITIES		
Current Liabilities		
Bank indebtedness	\$ 38	
Commercial paper	603	\$ 533
Accounts payable and accrued liabilities	2,227	2,336
Income taxes	140	179
Long term debt due within one year (note 12)	106	106
Total Current Liabilities	3,114	3,154
Long Term Debt (note 12)	3,956	3,420
Future Income Taxes (note 7)	138	68
Other Liabilities (note 13)	237	344
TOTAL LIABILITIES	7,445	6,986
SHAREHOLDERS' EQUITY		
Common Share Capital (note 14)	1,194	1,195
Retained Earnings	3,538	2,929
TOTAL SHAREHOLDERS' EQUITY	4,732	4,124
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 12,177	\$ 11,110

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

For the years ended January 3, 2004 and December 28, 2002
(\$ millions)

	2003 (53 weeks)	2002 (52 weeks)
OPERATING ACTIVITIES		
Net earnings	\$ 845	\$ 728
Depreciation	393	354
Future income taxes	50	37
Change in non-cash working capital	(250)	(163)
Other	(6)	42
CASH FLOWS FROM OPERATING ACTIVITIES	1,032	998
INVESTING ACTIVITIES		
Fixed asset purchases	(1,271)	(1,079)
Short term investments	(114)	135
Proceeds from fixed asset sales	35	63
Credit card receivables, after securitization (note 6)	(16)	(100)
Franchise investments and other receivables	(48)	(10)
Other	(34)	(4)
CASH FLOWS USED IN INVESTING ACTIVITIES	(1,448)	(995)
FINANCING ACTIVITIES		
Bank indebtedness	38	(95)
Commercial paper	70	342
Long term debt (note 12)		
– Issued	655	200
– Retired	(102)	(77)
Common share capital		
– Issued (note 15)	2	2
– Retired (note 14)	(76)	(17)
Dividends	(198)	(127)
Other	(3)	(2)
CASH FLOWS FROM FINANCING ACTIVITIES	386	226
Effect of foreign currency exchange rate changes on cash and cash equivalents (note 5)	(175)	19
Change in Cash and Cash Equivalents	(205)	248
Cash and Cash Equivalents, Beginning of Year	823	575
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 618	\$ 823

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the years ended January 3, 2004 and 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, collectively referred to as the "Company". The Company's interest in the voting share capital of its subsidiaries is 100%.

Fiscal Year The fiscal year of the Company ends on the Saturday closest to December 31. As a result, the Company's fiscal year is usually 52 weeks in duration but includes a 53rd week every 5 to 6 years. The years ended January 3, 2004 and December 28, 2002 contained 53 weeks and 52 weeks, respectively.

Revenue Recognition Sales include revenues from customers through corporate stores operated by the Company and sales to and service fees from its franchised stores, associated stores and independent account customers. The Company recognizes revenue at the time the sale is made to its customers.

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

Cash, Cash Equivalents and Bank Indebtedness Cash balances 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 90 days or less.

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. Credit card receivables are fully written off when payments are contractually 180 days in arrears or when the likelihood of collection is considered remote. Interest income on credit card receivables is recorded when billed to customers and is recognized in operating income.

Allowance for Credit Losses PC Bank maintains a general allowance for credit losses which, in management's opinion, is adequate to absorb all credit-related losses in its credit card receivables portfolio, based upon a statistical analysis of past performance and management's judgment. The allowance for credit losses is deducted from the credit card receivables balance. The net credit loss experience for the year is recognized in operating income.

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 their 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. The carrying value of retained interests is periodically reviewed and when a decline in value is identified that is other than temporary, the carrying value is written down to fair value.

Inventories Retail store inventories are stated at the lower of cost and estimated net realizable value less normal gross 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.

Fixed assets are written-down to their net recoverable amount when their estimated future cash flows are less than their net carrying value. A write-down is recognized in operating income.

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. Goodwill is not amortized and its carrying value is tested at least annually for impairment. Any impairment in the carrying value of goodwill is recognized in operating income. The Company performed the annual impairment test for goodwill and determined that there was no impairment to the carrying value of goodwill.

Foreign Currency Translation Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the foreign currency exchange rate in effect at each year end date. Exchange gains or losses arising from the translation of these balances denominated in foreign currencies are recognized in operating income. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at the average foreign currency exchange rate for the year.

Financial Derivative Instruments The Company uses financial 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 foreign currency exchange rates, interest rates and the market price of the Company's common shares. The Company does not enter into financial derivative agreements for trading or speculative purposes.

The Company enters into cross currency basis swaps and interest rate swaps as a hedge against its exposure to fluctuations in foreign currency exchange rates and interest rates on a portion of its United States dollar denominated 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 a portion of the Company's United States dollar denominated assets and are recognized in operating income. The cumulative unrealized foreign currency exchange rate receivable or payable is recorded in other assets or other liabilities, respectively. The exchange of interest payments on the cross currency basis swaps and interest rate swaps is recognized on an accrual basis in interest expense. Unrealized gains or losses on the interest rate swaps are not recognized.

Equity forwards are used to manage exposure to fluctuations in the Company's stock-based compensation cost because they change in value as the market price of the underlying common shares changes. The market price adjustments on the equity forwards are recognized in operating income as gains or losses and the cumulative unrealized gains or losses are recorded in other assets or liabilities, respectively. Interest on the equity forwards is recognized on an accrual basis in interest expense.

The Company entered into an electricity forward contract to minimize price volatility and to maintain a portion of the Company's electricity costs in Ontario, Canada at approximately 2001 rates. 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 years 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 income taxes expense when enacted or substantively enacted. 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 the expected long term rate of return on plan assets, salary escalation, retirement ages and expected growth rate of health care costs. Market values are used to value benefit plan assets. The obligation related to employee future benefits is 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 obligation. 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 benefit plan assets are amortized on a straight-line basis over the average remaining service period of the active employees, ranging from 6 to 17 years with a weighted average of 12 years at year end. The cost of pension benefits for defined contribution plans and multi-employer pension plans are expensed as contributions are paid.

Stock-Based Compensation Effective December 30, 2001, the Company implemented the standard issued by the Canadian Institute of Chartered Accountants ("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 \$23 of future income tax recoverable and the \$32 fair value impact of the equity forwards).

The Company recognizes a compensation cost in operating income and a liability related to employee stock options 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. Under the intrinsic value method, the stock-based compensation liability is the amount by which the market price of the common shares exceeds the exercise price of the stock options. A year over year change in the stock-based compensation liability is recognized in operating income.

The Company accounts for stock options 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 approximately 3% of all options outstanding.

The Company maintains an Employee Share Ownership Plan for its employees which allows employees to acquire the Company's common shares through regular payroll deductions of up to 5% of their gross regular earnings. The Company contributes an additional 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 units obligation is accounted for using the intrinsic value method and the year over year change in the deferred share units obligation is recognized as a compensation expense in operating income and as a liability.

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 reported amounts and disclosures made in the consolidated financial statements and accompanying notes. These estimates and assumptions are based on management's historical experience, best knowledge of current events and conditions and activities that the Company may undertake in the future. Actual results could differ from these estimates.

Comparative Information Certain prior year's information was reclassified to conform with the current year's presentation.

NOTE 2. SPECIAL VOLUNTARY EARLY RETIREMENT PROGRAM

As a result of union negotiations, certain employees of Locals 1000A, 1977 and 175 of the United Food and Commercial Workers union in Ontario became eligible to receive a voluntary early retirement offer. Employees of Locals 1000A and 1977 were required to indicate their acceptance of this voluntary offer in writing by October 31, 2003 and employees of Local 175 had to respond by January 31, 2004. At year end, 541 employees had accepted the voluntary early retirement offer which resulted in a charge of \$25 recognized in operating income. Approximately \$5 of this charge had been paid by the end of 2003. The remaining accrual is expected to be paid during the first half of fiscal 2004. Subsequent to year end, an additional 94 employees of Local 175 had accepted the voluntary early retirement offer. Therefore, an additional charge of \$2 will be recognized in operating income in fiscal 2004.

NOTE 3. INTEREST EXPENSE

	2003	2002
Interest on long term debt	\$ 269	\$ 246
Other long term interest	(45)	(38)
Net long term interest	224	208
Net short term interest	5	(17)
Capitalized to fixed assets	(33)	(30)
Interest expense	\$ 196	\$ 161

Net interest paid in 2003 was \$211 (2002 – \$185).

NOTE 4. BASIC AND DILUTED NET EARNINGS PER COMMON SHARE

	2003	2002
Net earnings	\$ 845	\$ 728
Weighted average common shares outstanding (in millions)	275.4	276.2
Dilutive effect of stock-based compensation (in millions)	1.7	1.7
Diluted weighted average common shares outstanding (in millions)	277.1	277.9
Basic net earnings per common share (\$)	\$ 3.07	\$ 2.64
Dilutive effect of stock-based compensation per common share (\$)	(0.02)	(0.02)
Diluted net earnings per common share (\$)	\$ 3.05	\$ 2.62

NOTE 5. CASH, CASH EQUIVALENTS AND SHORT TERM INVESTMENTS

At year end, the Company had \$991 (2002 – \$1.1 billion) in cash, cash equivalents and short term investments held by Glenhuron Bank Limited (“Glenhuron”), a wholly owned subsidiary of the Company in Barbados. The \$14 (2002 – \$24) of income from cash, cash equivalents and short term investments was recognized in net short term interest.

The Company recognized an unrealized foreign currency exchange rate loss of \$215 (2002 – gain of \$32) as a result of translating its United States dollar denominated cash, cash equivalents and short term investments of which \$175 (2002 – gain of \$19) related to cash and cash equivalents. The resulting loss on cash, cash equivalents and short term investments is offset in operating income by the unrealized foreign currency exchange rate gain on the cross currency basis swaps. A cumulative unrealized foreign currency exchange rate receivable of \$96 (2002 – payable of \$131) relating to these swaps is recorded in other assets on the balance sheet.

NOTE 6. CREDIT CARD RECEIVABLES

During 2003, the Company through PC Bank securitized \$202 (2002 – \$244) of credit card receivables, yielding a minimal loss (2002 – minimal gain) on the initial sale, inclusive of a \$2 (2002 – \$2) servicing liability. Servicing liabilities expensed during the year were \$9 (2002 – \$4) and the fair value of recognized servicing liabilities was \$6 (2002 – \$4). The trust's recourse to PC Bank's assets is limited to PC Bank's retained interests and is further supported by the Company through a standby letter of credit for 15% of the securitized amount.

	2003	2002
Credit card receivables	\$ 711	\$ 502
Amount securitized	(558)	(356)
Net credit card receivables	\$ 153	\$ 146
Net credit loss experience	\$ 9	\$ 6

The following table shows the key economic assumptions used in measuring the retained interests at the date of securitization for securitizations completed in 2003. The table also displays the sensitivity of the current fair value of retained interests to an immediate 10% and 20% adverse change in the 2003 key economic assumptions.

	2003	Change in Assumptions	
		(10%)	(20%)
Carrying value of retained interests	\$ 9		
Payment rate (monthly)	45.0%		
Weighted average life (years)	0.6		
Expected credit losses (annual)	3.4%	\$ (0.3)	\$ (0.7)
Discounted residual cash flows (annual)	14.0%	\$ (1.2)	\$ (2.4)

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

	2003	2002
Proceeds from new securitizations	\$ 202	\$ 244
Net cash flows received on retained interests	\$ 53	\$ 24

NOTE 7. 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:

	2003	2002
Weighted average basic Canadian federal and provincial statutory income tax rate	36.5%	38.6%
Net decrease resulting from:		
Earnings in jurisdictions taxed at rates different from the Canadian statutory income tax rates	(3.8)	(2.9)
Non-taxable amounts (including capital gains/losses)	(0.3)	(0.1)
Large corporation tax	0.6	0.7
Enacted changes in income tax rates	0.5	
Effective income tax rate	33.5%	36.3%

Net income taxes paid in 2003 were \$399 (2002 – \$313).

In 2003, the Ontario government enacted both the repeal of the income tax rate reductions of 1.5% scheduled for each of 2004, 2005 and 2006 and the increase in the provincial income tax rate to 14% in 2004 from 12.5% in 2003. Therefore, future income tax balances were adjusted resulting in a \$7 charge to future income tax expense in 2003.

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

	2003	2002
Accounts payable and accrued liabilities	\$ 85	\$ 62
Long term debt (including amounts due within one year)	7	11
Other liabilities	78	55
Losses carried forward (expiring 2007)	3	20
Fixed assets	(183)	(132)
Other assets	(39)	(19)
Other	10	18
Net future income tax assets (liabilities)	\$ (39)	\$ 15

	2003	2002
PRESENTED ON THE CONSOLIDATED BALANCE SHEETS AS:		
Future income tax assets		
Current	\$ 92	\$ 68
Non-current	7	15
Future income tax liabilities	99	83
Non-current	(138)	(68)
Net future income tax assets (liabilities)	\$ (39)	\$ 15

NOTE 8. FIXED ASSETS

	2003			2002		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Properties held for development	\$ 433		\$ 433	\$ 336		\$ 336
Properties under development	248		248	234		234
Land	1,387		1,387	1,201		1,201
Buildings	3,484	\$ 638	2,846	2,983	\$ 552	2,431
Equipment and fixtures	2,724	1,612	1,112	2,421	1,415	1,006
Leasehold improvements	651	264	387	599	233	366
	8,927	2,514	6,413	7,774	2,200	5,574
Capital leases – buildings and equipment	83	74	9	83	70	13
	\$ 9,010	\$ 2,588	\$ 6,422	\$ 7,857	\$ 2,270	\$ 5,587

NOTE 9. BUSINESS ACQUISITIONS

In the normal course of business, the Company acquires franchisee stores and converts them to corporate stores. In 2003, the Company acquired 15 franchisee businesses. The acquisitions were accounted for using the purchase method of accounting with the results of the businesses acquired included in the Company's consolidated financial statements from the date of acquisition. The fair value of the net assets acquired consisted of fixed assets of \$7, other assets, principally inventory, of \$6 and goodwill of \$8 for cash consideration of \$11, net of accounts receivable due from the franchisees of \$10.

NOTE 10. OTHER ASSETS

	2003	2002
Franchise investments and other receivables	\$ 315	\$ 300
Accrued pension and other benefit plans (note 11)	87	37
Unrealized equity forwards receivable (note 16)	92	34
Deferred charges and other	66	46
Unrealized cross currency basis swaps receivable (note 16)	96	
	\$ 656	\$ 417

NOTE 11. 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 pension plans providing pension benefits.

Information about the Company's defined benefit plans, in aggregate, was as follows:

	2003		2002	
	Pension Benefit Plans	Other Benefit Plans	Pension Benefit Plans	Other Benefit Plans
BENEFIT PLAN ASSETS				
Fair value, beginning of year	\$ 628	\$ 23	\$ 690	\$ 16
Actual return on plan assets	94	1	(19)	4
Employer contributions	93	20	13	13
Employees' contributions	2		2	
Benefits paid	(45)	(14)	(51)	(10)
Other	(1)		(7)	
Fair value, end of year	\$ 771	\$ 30	\$ 628	\$ 23
ACCRUED BENEFIT PLAN OBLIGATIONS				
Balance, beginning of year	\$ 817	\$ 166	\$ 692	\$ 103
Current service cost	30	5	21	2
Interest cost	54	10	52	7
Benefits paid	(45)	(14)	(51)	(10)
Actuarial loss	28	23	106	64
Plan amendments	4		(1)	
Other	(1)		(2)	
Balance, end of year	\$ 887	\$ 190	\$ 817	\$ 166
DEFICIT OF PLAN ASSETS VERSUS PLAN OBLIGATIONS				
Unamortized past service costs	6		3	
Unamortized net actuarial loss	143	75	168	56
Net accrued benefit plan asset (liability)	\$ 33	\$ (85)	\$ (18)	\$ (87)
Accrued benefit plan asset included in other assets	\$ 68	\$ 19	\$ 31	\$ 6
Accrued benefit plan liability included in other liabilities	(35)	(104)	(49)	(93)
Net accrued benefit plan asset (liability)	\$ 33	\$ (85)	\$ (18)	\$ (87)

At year end 2003, 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 \$118 and \$12, respectively (2002 – \$193 and \$14). There are no plan assets in non-registered pension plans. The Company's post-retirement benefit plans also had no plan assets and, at year end 2003, had an aggregate accrued benefit plan obligation of \$148 (2002 – \$129).

The significant annual weighted average actuarial assumptions used in measuring the Company's accrued benefit plan obligations as of the end of the year were as follows:

	2003		2002	
	Pension Benefit Plans	Other Benefit Plans	Pension Benefit Plans	Other Benefit Plans
Discount rate	6.25%	6.0%	6.5%	6.2%
Rate of compensation increase	3.5%		3.5%	

The significant annual weighted average actuarial assumptions used in calculating the Company's net defined benefit plan expense for the year were as follows:

	2003		2002	
	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 Company's growth rate of health care costs, primarily drug costs, was estimated at 9.0% (2002 – 9.0%) and assumed to decrease gradually to 5.0% in 2011 and remain 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 pension plans was as follows:

	2003		2002	
	Pension Benefit Plans	Other Benefit Plans	Pension Benefit Plans	Other Benefit Plans
Current service cost, net of employee contributions	\$ 28	\$ 5	\$ 19	\$ 2
Interest cost on plan obligations	54	10	52	7
Expected return on plan assets	(50)	(1)	(54)	(1)
Amortization of net actuarial loss	9	4		
Other			1	
Net defined benefit plan expense	41	18	18	8
Defined contribution plan expense	6		5	
Multi-employer pension plan expense	37		33	
Net benefit plan expense	\$ 84	\$ 18	\$ 56	\$ 8

NOTE 12. LONG TERM DEBT

	2003	2002
PROVIGO INC. DEBENTURES		
Series 1997, 6.35%, due 2004	\$ 100	\$ 100
Series 1996, 8.70%, due 2006	125	125
Other (i)	9	13
LOBLAW COMPANIES LIMITED NOTES		
6.60%, due 2003 (ii)		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
5.40%, due 2013 (ii)	200	
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	(11)	(4)
6.85%, due 2032	200	200
6.54%, due 2033 (ii)	200	
8.75%, due 2033	200	200
6.05%, due 2034 (ii)	200	
6.45%, due 2039	200	200
7.00%, due 2040	150	150
5.86%, due 2043 (ii)	55	
Other at a weighted average interest rate of 10.64%, due 2004 to 2040	43	51
Total long term debt	4,062	3,526
Less amount due within one year	106	106
	\$ 3,956	\$ 3,420

The five year schedule of repayment of long term debt based on maturity is as follows: 2004 – \$106; 2005 – \$215; 2006 – \$129; 2007 – \$5; 2008 – \$393.

(i) Other of \$9 (2002 – \$13) 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.

(ii) During 2003, the Company issued \$200 of 5.40% Medium Term Notes ("MTN") due 2013, \$200 of 6.54% MTN due 2033, \$200 of 6.05% MTN due 2034 and \$55 of 5.86% MTN due 2043. The Company also repaid its \$100 of 6.60% MTN as it matured.

(iii) Subsequent to year end 2003, the Company issued \$200 of 6.15% MTN due 2035.

NOTE 13. OTHER LIABILITIES

	2003	2002
Accrued pension and other benefit plans (note 11)	\$ 139	\$ 142
Unrealized cross currency basis swaps payable (note 16)		131
Stock-based compensation	82	54
Other	16	17
	\$ 237	\$ 344

NOTE 14. COMMON SHARE CAPITAL (authorized – unlimited)

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

	2003		2002	
	Number of Common Shares	Common Share Capital	Number of Common Shares	Common Share Capital
Issued and outstanding, beginning of year	276,018,714	\$ 1,195	276,252,714	\$ 1,194
Issued for stock options exercised (note 15)	93,200	4	75,000	2
Purchased for cancellation	(1,282,900)	(5)	(309,000)	(1)
Issued and outstanding, end of year	274,829,014	\$ 1,194	276,018,714	\$ 1,195
Weighted average outstanding	275,405,585		276,209,323	

Normal Course Issuer Bids ("NCIB") During 2003, the Company purchased for cancellation 1,282,900 (2002 – 309,000) of its common shares for \$76 (2002 – \$17) and entered into equity forwards to buy 1,103,500 (2002 – 390,100) 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 price of such shares.

Subsequent to year end, the Company purchased for cancellation 132,400 of its common shares for \$8, pursuant to its NCIB.

NOTE 15. STOCK-BASED COMPENSATION (\$)

The Company maintains three types of stock-based compensation plans, which are described below.

Stock Option Plan The Company maintains a stock option plan for certain employees. Under this plan, the Company may grant options for up to 20.4 million common shares, however the Company has set a guideline which limits the number of stock option grants to a maximum of 5% of outstanding common shares at any time. 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.

During 2003, the Company granted 2,367,746 stock options to 196 employees with an exercise price of \$53.60 per common share and 20,000 stock options with an exercise price of \$61.95 per common share under its existing stock option plan, which allows for settlement in shares or in the share appreciation value in cash at the option of the employee.

In 2003, the Company recognized in operating income a compensation cost related to its stock option plan of \$62 million (2002 – \$21 million) and a gain on the fair value impact of the equity forwards of \$66 million (2002 – \$7 million). The share appreciation value of \$28 million (2002 – \$22 million) was paid on the exercise of 802,701 (2002 – 685,447) stock options. The Company issued 93,200 common shares on the exercise of stock options for cash consideration of \$2 million for which it had recorded a stock-based compensation liability of \$4 million. In 2002, the Company issued 75,000 common shares for cash consideration of \$2 million on the exercise of stock options issued prior to December 30, 2001 that will be settled by issuing common shares.

At year end, a total of 5,407,026 (2002 – 4,055,237) stock options were outstanding, and represented approximately 2.0% (2002 – 1.5%) of the Company's issued and outstanding common shares, which was within the Company's guideline of 5%. Of the 5,407,026 outstanding options, 5,253,286 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 relates to stock option grants, issued prior to December 30, 2001 that will be settled by issuing common shares.

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

	2003		2002	
	Options (number of shares)	Weighted Average Exercise Price/Share	Options (number of shares)	Weighted Average Exercise Price/Share
Outstanding options, beginning of year	4,055,237	\$ 32.029	4,832,900	\$ 30.680
Granted	2,387,746	\$ 53.670	80,000	\$ 55.400
Exercised	(895,901)	\$ 24.570	(760,447)	\$ 25.857
Forfeited/cancelled	(140,056)	\$ 43.173	(97,216)	\$ 32.477
Outstanding options, end of year	5,407,026	\$ 42.533	4,055,237	\$ 32.029
Options exercisable, end of year	2,016,552	\$ 37.527	1,491,119	\$ 28.192

	2003 Outstanding Options			2003 Exercisable Options	
	Number of Options Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price/Share	Number of Exercisable Options	Weighted Average Exercise Price/Share
Range of Exercise Prices					
\$ 24.500 – \$ 35.600	2,615,146	3	\$ 31.399	1,384,538	\$ 30.790
\$ 43.800 – \$ 49.050	394,190	4	\$ 48.294	156,476	\$ 48.100
\$ 53.600 – \$ 61.950	2,397,690	6	\$ 53.730	475,538	\$ 53.661

Employee Share Ownership Plan ("ESOP") The Company maintains an ESOP for its employees, which allows employees to acquire the Company's common shares through regular payroll deductions of up to 5% of their gross regular earnings. The Company contributes an additional 15% of each employee's contribution to the plan. The ESOP is administered through a trust, which purchases the Company's common shares on the open market on behalf of employees. A compensation cost of \$2 million (2002 – \$2 million) related to this plan was recognized in operating income.

Deferred Share Units Plan 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 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 year end, 21,489 (2002 – 12,941) deferred share units were outstanding. The year over year change in the deferred share units obligation was minimal and was recognized in operating income.

NOTE 16. FINANCIAL INSTRUMENTS

A summary of the Company's outstanding financial derivative instruments is as follows:

	Notional Amounts Maturing in						2003 Total	2002 Total
	2004	2005	2006	2007	2008	Thereafter		
Cross currency basis swaps	\$ 331		\$ 11	\$ 68	\$ 227	\$ 577	\$ 1,214	\$ 1,118
Interest rate swaps	\$ 282	\$ 161	\$ (43)		\$ 240	\$ 40	\$ 680	\$ 867
Equity forwards						\$ 233	\$ 233	\$ 150
Electricity forward contract	\$ 47	\$ 16					\$ 63	\$ 106

Cross Currency Basis Swaps The Company enters into cross currency basis swaps to hedge its exposure to fluctuations in the foreign currency exchange rate on a portion of its United States dollar denominated assets, principally cash, cash equivalents and short term investments.

The Company entered into cross currency basis swaps to exchange United States dollars for \$1.2 billion (2002 – \$1.1 billion) Canadian dollars, 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 year end, a cumulative unrealized foreign currency exchange rate receivable of \$96 was recorded in other assets (2002 – \$131 payable recorded in other liabilities).

Interest Rate Swaps The Company enters into interest rate swaps to hedge a portion of its exposure to fluctuations in interest rates.

The Company entered into interest rate swaps converting a net notional \$680 (2002 – \$867) of its floating rate investments to fixed rate investments at 6.72% (2002 – 6.88%), 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.

In 2003, the Company entered into equity forwards to buy 1,103,500 (2002 – 390,100) of its common shares at an average forward price of \$56.39 (2002 – \$55.65) per common share, with an average initial term of 10 years (2002 – 10 years). At year end, the Company had cumulative equity forwards to buy 4.8 million (2002 – 3.7 million) of its common shares at an average forward price of \$48.56 (2002 – \$44.88) including \$3.69 (2002 – \$3.47) per common share of interest expense net of dividends that will be paid at redemption. The equity forwards allow for settlement in cash, common shares or net settlement. The Company has included a cumulative unrealized market gain of \$92 million (2002 – \$34 million) in other assets relating to these equity forwards.

Electricity Forward Contract The Company entered into an electricity forward contract to minimize price volatility and to maintain a portion of the Company's electricity costs in Ontario, Canada at approximately 2001 rates. This electricity forward contract has 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 financial derivative agreements fail to fulfill its obligations. The Company has sought to minimize potential counterparty risk and losses by conducting transactions for its derivative agreements with counterparties that have at minimum a long term A credit rating and by placing risk adjusted limits on its exposure to any single counterparty for its financial derivative agreements. The Company has internal policies, controls and reporting processes, which require ongoing assessment and corrective action, if necessary with respect to its derivative transactions. In addition, principal amounts on cross currency basis swaps and equity forwards are each netted by agreement and there is no exposure to loss of the original 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 exchange rates and forward interest 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 and forward interest rates for swaps of the same remaining maturities.

The fair value of the equity forwards, which approximated carrying value, was estimated by multiplying the number of the Company's common shares outstanding under the equity forwards by the difference between the market price of its common shares and the average forward price of the outstanding forwards at year end.

The fair value of the electricity forward contract was provided by the counterparty based on expected future electricity prices.

	2003		2002	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Long term debt liability	\$ 4,062	\$ 4,457	\$ 3,526	\$ 3,890
Interest rate swaps net asset		\$ 12		\$ 32
Electricity forward contract net asset		\$ 2		\$ 15

NOTE 17. CONTINGENCIES, COMMITMENTS AND GUARANTEES

The Company is involved in and potentially subject to various claims and litigation arising out of the normal course and conduct of its business 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 claims and 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 relating to these operating leases are as follows:

	Amounts Maturing in						2003 Total	2002 Total
	2004	2005	2006	2007	2008	Thereafter to 2049		
Operating lease payments	\$ 159	\$ 147	\$ 132	\$ 117	\$ 103	\$ 626	\$ 1,284	\$ 1,260
Expected sub-lease income	(38)	(37)	(35)	(31)	(24)	(40)	(205)	(258)
Net operating lease payments	\$ 121	\$ 110	\$ 97	\$ 86	\$ 79	\$ 586	\$ 1,079	\$ 1,002

At year end, the Company has committed approximately \$370 with respect to capital investment projects such as the construction, expansion and renovation of buildings and the purchase of real property.

The Company establishes standby letters of credit used in connection with certain obligations mainly related to real estate transactions and benefit and insurance programs. The aggregate gross potential liability related to these standby letters of credit is approximately \$82. Other standby letters of credit related to the financing program for the Company's franchisees and securitization of PC Bank's credit card receivables have been identified as guarantees and are discussed further in the Guarantees section below.

In connection with the purchase of Provigo, the Company committed to support Quebec small business and farming communities as follows: for a period of seven years commencing in 1999 and, subject to business dispositions, the aggregate amount of goods and services purchased from Quebec suppliers in the normal course of business will not fall below those of 1998. The Company has fulfilled its commitment in each year from 1999 to and including 2003.

Guarantees Effective December 29, 2002, the Company implemented Accounting Guideline 14, "Disclosure of Guarantees", issued by the CICA, which requires a guarantor to disclose in its notes to the consolidated financial statements significant information about guarantees it has provided. Under this Guideline, a guarantee is defined as a contract or indemnification agreement, which requires the Company to make payments (cash, financial instruments, other assets, the Company's own shares or the provision of services) to a third party contingent on future events (a "Guarantee"). These payments are contingent on one of the following: (i) a change in an underlying interest rate, security price, commodity price, foreign currency exchange rate or other variable that is related to an asset, liability or an equity security of the guaranteed party, (ii) the failure of another entity to perform under an obligating agreement or (iii) the failure of another party to pay its indebtedness when due. The disclosures are required even when the likelihood of the guarantor having to make any payment under the Guarantee is remote.

The Company has provided to third parties the following significant Guarantees:

Standby Letters of Credit A standby letter of credit for the benefit of an independent trust with respect to the credit card receivables securitization program of PC Bank has been provided by a major Canadian bank. This standby letter of credit could be drawn upon in the event of a major decline in the income flow from or in the value of the securitized credit card receivables after the cash reserve account established pursuant to the securitization agreement has been depleted. The Company has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit. The Company believes that the likelihood of this occurrence is remote. The aggregate gross potential liability under this arrangement, which represents 15% of the securitized credit card receivables amount, is approximately \$84.

A standby letter of credit has been provided by a major Canadian bank in the amount of \$35 for the benefit of an independent trust which provides loans to the Company's franchisees for their purchase of inventory and fixed assets, mainly fixturing and equipment. In the event that a franchisee defaults on its loan and the Company has not, within a specified time period, (i) assumed the loan, (ii) purchased the assets of the defaulting franchisee over which security has been taken by the trust, or (iii) provided for an increase of the amount of the standby letter of credit by the outstanding amount under the loan, the trust may draw upon this standby letter of credit or realize on its security. The Company has agreed to reimburse the issuing bank for any amount drawn on the standby letter of credit.

Lease Obligations In connection with historical dispositions of certain of its assets, the Company has assigned leases to third parties. The Company remains contingently liable for these lease obligations in the event any of the assignees are in default of their lease obligations. The estimated amount for minimum rent, which does not include other lease related expenses such as property tax and common area maintenance charges, is \$173 (2002 – \$204).

Indemnification Provisions The Company from time to time enters into agreements in the normal course of its business, such as service arrangements and leases, in connection with business or asset acquisitions or dispositions. These agreements by their nature may provide for indemnification of counterparties. These indemnification provisions may be in connection with breaches of representation and warranty or with future claims for certain liabilities, including liabilities related to tax and environmental matters. The terms of these indemnification provisions vary in duration and may extend for an unlimited period of time. Given the nature of such indemnification provisions, the Company is unable to reasonably estimate its total maximum potential liability as certain indemnification provisions do not provide for a maximum potential amount and the amounts are dependent on the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, the Company has not made any significant payments in connection with these indemnification provisions.

NOTE 18. OTHER INFORMATION

Segment 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 approximately 3% (2002 – 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⁾

Year ⁽²⁾

(\$ millions except where otherwise indicated)

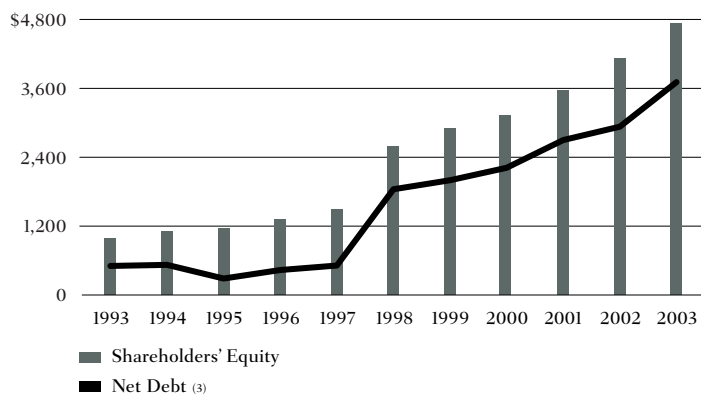
	2003	2002	2001	2000
OPERATING RESULTS				
Sales	25,220	23,082	21,486	20,121
EBITDA ⁽³⁾	1,860	1,657	1,451	1,259
Operating income	1,467	1,303	1,136	976
Interest expense	196	161	158	143
Net earnings	845	728	563	473
FINANCIAL POSITION				
Working capital	371	338	290	(291)
Fixed assets	6,422	5,587	4,931	4,174
Goodwill	1,607	1,599	1,599	1,641
Total assets	12,177	11,110	10,025	9,025
Net debt ⁽³⁾	3,707	2,932	2,699	2,216
Shareholders' equity	4,732	4,124	3,569	3,124
CASH FLOW				
Cash flows from operating activities	1,032	998	818	785
Capital investment	1,271	1,079	1,108	943
PER COMMON SHARE (\$)				
Basic net earnings	3.07	2.64	2.04	1.71
Basic earnings before goodwill charges	3.07	2.64	2.20	1.87
Dividend rate at year end	.60	.48	.40	.40
Cash flows from operating activities	3.75	3.61	2.96	2.84
Capital investment	4.62	3.91	4.01	3.42
Book value	17.22	14.94	12.92	11.31
Market price at year end	67.85	54.00	51.85	50.50
FINANCIAL RATIOS				
EBITDA margin (%) ⁽³⁾	7.4	7.2	6.8	6.3
Operating margin (%)	5.8	5.6	5.3	4.9
Net earnings margin (%)	3.4	3.2	2.6	2.4
Return on average total assets (%) ⁽³⁾	13.9	13.7	13.4	12.8
Return on average shareholders' equity (%)	19.1	18.9	16.8	15.7
Interest coverage	7.5	8.1	7.2	6.8
Net debt to equity ⁽³⁾	.78	.71	.76	.71
Cash flows from operating activities to net debt ⁽³⁾	.28	.34	.30	.35
Price/net earnings ratio at year end	22.1	20.5	25.4	29.5
Market/book ratio at year end	3.9	3.6	4.0	4.5

(1) For financial definitions and ratios refer to the Glossary of Terms on page 66.

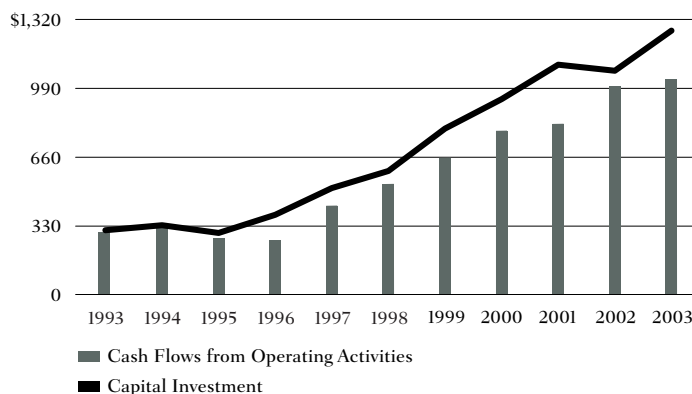
(2) 2003 and 1997 contained 53 weeks.

(3) See Non-GAAP Financial Measures on page 44.

Shareholders' Equity and Net Debt
(\$ millions)

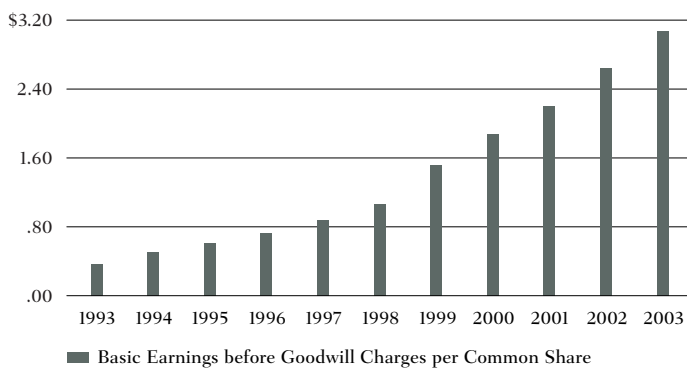


Cash Flows from Operating Activities and Capital Investment
(\$ millions)

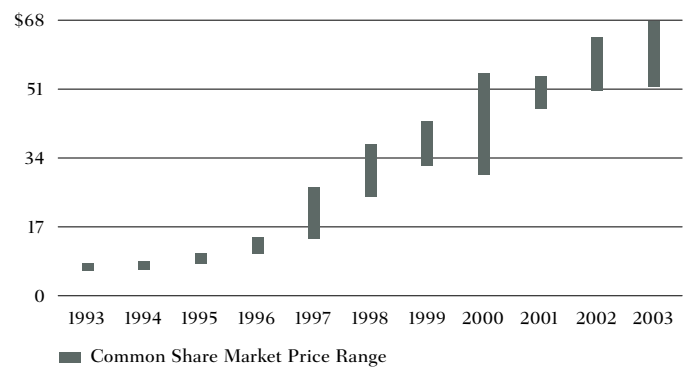


1999	1998	1997	1996	1995	1994	1993
18,783	12,497	11,008	9,848	9,854	10,000	9,356
1,077	712	573	481	449	410	326
811	529	428	361	322	274	203
112	68	44	46	54	63	54
376	261	213	174	147	126	90
(397)	(707)	202	154	179	29	148
3,549	3,194	2,093	1,738	1,491	1,603	1,414
1,685	1,363	38	40	42	44	49
7,979	7,105	4,013	3,531	3,197	3,042	2,743
1,999	1,842	513	435	287	525	506
2,904	2,595	1,495	1,311	1,160	1,105	985
656	530	426	262	270	328	279
802	599	517	389	302	339	315
1.37	1.06	.88	.72	.60	.50	.36
1.52	1.06	.88	.73	.61	.50	.37
.24	.20	.16	.12	.12	.09	.08
2.38	2.15	1.76	1.08	1.12	1.35	1.15
2.92	2.43	2.14	1.62	1.25	1.41	1.34
10.56	9.46	6.08	5.35	4.74	4.27	3.79
35.25	37.40	26.00	14.25	10.29	7.96	7.63
5.7	5.7	5.2	4.9	4.6	4.1	3.5
4.3	4.2	3.9	3.7	3.3	2.7	2.2
2.0	2.1	1.9	1.8	1.5	1.3	1.0
11.9	10.9	14.2	13.6	12.3	10.6	8.6
13.7	12.8	15.3	14.2	13.4	12.5	9.7
7.2	7.8	9.7	7.9	6.0	4.3	3.7
.69	.71	.34	.33	.25	.48	.51
.33	.29	.83	.60	.94	.62	.58
25.8	35.3	29.6	19.8	17.2	15.9	21.2
3.3	4.0	4.3	2.7	2.2	1.9	2.0

Basic Earnings before Goodwill Charges per Common Share (\$)



Common Share Market Price Range (\$)



Glossary of Terms

TERM	DEFINITION	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 year.	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.
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 year.	Market/book ratio at year end	Market price per common share at year end divided by book value per common share at year end.
Book value per common share	Shareholders' equity divided by the number of common shares outstanding at year 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.
Capital investment	Fixed asset purchases.	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 (see Non-GAAP Financial Measures on page 44).
Capital investment per common share	Capital investment divided by the weighted average number of common shares outstanding during the year.	Net debt to equity	Net debt divided by total shareholders' equity.
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 year.	Net earnings margin	Net earnings divided by sales.
Cash flows from operating activities to net debt	Cash flows from operating activities divided by net debt.	New store	A newly constructed store, conversion or major expansion.
Control label	A brand and associated trademark that is owned by the Company for use in connection with its own products and services.	Operating income	Earnings before interest expense and income taxes.
Conversion	A store that changes from one Company banner to another Company banner.	Operating margin	Operating income divided by sales.
Corporate stores sales per average square foot	Sales by corporate stores divided by the average corporate stores square footage at year end.	Price/net earnings ratio at year end	Market price per common share at year end divided by basic net earnings per common share for the year.
Diluted net earnings per common share	Net earnings available to common shareholders divided by the weighted average number of common shares outstanding during the year minus the dilutive impact of outstanding stock option grants at year end.	Renovation	A capital investment in a store resulting in no change to the store square footage.
Dividend rate per common share at year end	Dividend per common share declared in the fourth quarter multiplied by four.	Return on average total assets	Operating income divided by average total assets excluding cash, cash equivalents and short term investments (see Non-GAAP Financial Measures on page 44).
EBITDA	Earnings before interest expense, income taxes, depreciation and amortization (see Non-GAAP Financial Measures on page 44).	Return on average shareholders' equity	Net earnings available to common shareholders divided by average total common shareholders' equity.
EBITDA margin	EBITDA divided by sales.	Same-store sales	Retail sales from the same physical location for stores in operation in that location in both periods being compared but excluding sales from a store that has undergone a conversion or major expansion in the period.
Gross margin	Sales less cost of sales divided by sales.	Weighted average common shares outstanding	The number of common shares outstanding determined by relating the portion of time within the year the common shares were outstanding to the total time in that year.
Interest coverage	Operating income divided by interest expense.	Working capital	Total current assets less total current liabilities.
		Year	A fiscal year ends on the Saturday closest to December 31, usually 52 weeks in duration, but includes 53 weeks every 5 to 6 years. The years ended January 3, 2004 and January 3, 1998 each contained 53 weeks.

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 2003:

Special kids. Special charity.

President's Choice Children's Charity helps physically and developmentally challenged children and their families by providing direct financial assistance for the purchase of costly mobility equipment, environmental modifications, physical therapy and more. Removing some of the obstacles that make everyday living difficult helps these children gain back some of their dignity, independence and freedom.

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



CALGARY SPRUCE MEADOWS

Supporting the sport of show jumping in the foothills of the Canadian Rockies.

CAMBRIDGE MEMORIAL HOSPITAL FOUNDATION

Supports the hospital in raising funds for medical equipment, infrastructure and its education priorities in order to meet the health care needs of the community.

CAMP TRILLIUM

Offers and promotes recreational experiences to bring children with cancer and their families together to help them in the healing process and enhance their quality of life.

CANADIAN CANCER SOCIETY

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

CHILDREN'S AID FOUNDATION

Committed to protecting children from harm and improving lives of abused and neglected children through education, enrichment and prevention.

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.

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.

GROCERY INDUSTRY

FOUNDATION...TOGETHER (G.I.F.T.) Provides funding to various Ontario charities dedicated to assisting children facing physical, intellectual or economical challenges.

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.

JUVENILE DIABETES RESEARCH FOUNDATION CANADA

Dedicated to finding a cure for juvenile diabetes and its complications through the funding of diabetes research.

MONTREAL HEART INSTITUTE

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

OLD PORT OF MONTREAL – MONTREAL SCIENCE CENTRE

Helps visitors acquire an understanding of science and technology and its relevance to our daily lives through interactive exhibits and attractions.

OPERA ONTARIO

Providing operatic experiences and educational programs of artistic excellence to the community it serves.

ST. MICHAEL'S HOSPITAL FOUNDATION

Through its philanthropic activities, assists St. Michael's Hospital in attracting the resources required to fulfill and enhance its mission of providing compassionate care to the community, world-class research and innovative teaching for health care professionals.

UNITED WAY – CENTRAIDE (ACROSS CANADA)

Committed to improving lives and building community by engaging individuals and mobilizing collective action.

YMCA (ACROSS CANADA)

A network of multi-service community centres committed to the development of its members in spirit, mind and body by offering opportunities for personal growth through participation and service to the community.

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 Children First: School Choice Trust, and land conservation, through the Nature Conservancy of Canada. At the Ontario Science Centre, our foundation has also funded the Weston Family Innovation Centre, an area that will foster a greater understanding of science and technology among Canada's youth.

Summary of Corporate Governance Practices

The Company's 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 full compliance with the Guidelines for Corporate Governance adopted by the Toronto Stock Exchange ("TSX").

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, Employee Development, Nominating and Compensation Committee continues to monitor 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 is contained in the Company's Management Proxy Circular.

BOARD OF DIRECTORS

Independence

The Governance, Employee Development, Nominating and Compensation Committee reviews 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.

A majority of the Board are 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, Employee Development, Nominating 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, Employee Development, Nominating 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, Employee Development, Nominating and Compensation Committee, the Board assesses the performance of directors and the adequacy and form of compensation paid to directors. Each year, the Governance, Employee Development, Nominating and Compensation Committee benchmarks director compensation against that of other major Canadian public companies in order to ensure that the 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 activities 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 Board has adopted a Code of Business Conduct applicable to all directors, officers 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, Employee Development, Nominating and Compensation Committee, Pension and Benefits 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. As well, the Audit Committee is comprised solely of independent 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 interest;
- 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;
- reviewing the proposed risks of the Company's business;

- 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, Employee Development, Nominating and Compensation Committee

The Governance, Employee Development, Nominating 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 and Benefits Committee

The Pension and Benefits 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 performance of pooled pension fund managers;
- reviewing and approving the funding assumptions, the funded status of and amendments to the Company's and its subsidiaries' pension plans; and
- receiving reports regarding level, types and costs of employee benefit 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 Company has 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.

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, Selfridges & Co. Ltd.; President, The W. Garfield Weston Foundation; Director, Associated British Foods plc, Canadian Imperial Bank of Commerce; Member, 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 Corporation, 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.

ANTHONY S. FELL, O.C.^{2,3*}

Chairman, RBC Capital Markets Inc.; Former Chairman and Chief Executive Officer, RBC Dominion Securities; Former Deputy Chairman, Royal Bank of Canada; Chairman, Munich Reinsurance Group; Director, CAE Inc., BCE Inc.; Chairman of the Board of Trustees, University Health Network.

CORPORATE OFFICERS

(includes age and years of service)

W. GALEN WESTON, O.C. (63 and 32 years)
Chairman of the Board

JOHN A. LEDERER (48 and 27 years)
President

DAVID K. BRAGG (55 and 20 years)
Executive Vice President

DAVID R. JEFFS (46 and 25 years)
Executive Vice President

RICHARD P. MAVRINAC (51 and 21 years)
Executive Vice President

PAUL D. ORMSBY (52 and 21 years)
Executive Vice President

STEPHEN A. SMITH (46 and 18 years)
Executive Vice President

ROBERT A. BALCOM (42 and 10 years)
Senior Vice President, General Counsel

ROY R. CONLIFFE (53 and 22 years)
Senior Vice President, Labour Relations

STEWART E. GREEN (59 and 27 years)
Senior Vice President, Secretary

ANNE L. FRASER, B.SC., LL.D.⁵

Education Consultant, University of Victoria; Associate Governor, Dalhousie University; Associate, Faculties of Management, Education, Engineering, Law 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, National Bank Financial; Chairman and Director, President's Choice Bank, Graymont Ltd.; Director, George Weston Limited, Brown Thomas Group Limited, Holt, Renfrew & Co., Limited, Power Corporation of Canada, Power Financial Corporation, Provigo Inc., Selfridges & Co. Ltd.

JOHN A. LEDERER, B.A.¹

President, Loblaw Companies Limited; Former Executive Vice President, Loblaw Companies Limited; Director, Food Marketing Institute; Founder, President's Choice Children's Charity.

PIERRE MICHAUD, C.M.^{5*}

Chairman, Provigo Inc.; Vice Chairman, Laurentian Bank of Canada; Director, Bombardier Recreational Products Inc., Capital d'Amérique CDPQ, Old Port of Montreal Corporation Inc.; Member, Advisory Board, Mont-Tremblant.

LOUISE M. LACCHIN (46 and 20 years)
Senior Vice President, Finance

FRANCA SMITH (40 and 15 years)
Senior Vice President, Financial Control

MANNY DIFILIPPO (44 and 12 years)
Vice President, Risk Management and Strategic Initiatives

J. BRADLEY HOLLAND (40 and 10 years)
Vice President, Taxation

MICHAEL N. KIMBER (48 and 19 years)
Vice President, Legal Counsel

KIRK W. MONDESIRE (43 and 18 years)
Vice President, Corporate Systems

LUCY J. PAGLIONE (44 and 20 years)
Vice President, Pension and Benefits

MARK A. RODRIGUES (46 and 17 years)
Vice President, Internal Audit Services

GEORGE D. SESLIJA (48 and 24 years)
Vice President, Real Estate Development

THOMAS C. O'NEILL, F.C.A.²

Retired Chairman and former CEO, PricewaterhouseCoopers Consulting; Director, Nexen Inc., BCE Inc., OTPP (Ontario Teachers Pension Plan), St. Michael's Hospital, Dofasco Inc.; Vice Chairman, Board of Governors, Queen's University.

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; Director, Ansett Worldwide.

T. IAIN RONALD, M.B.A., B. LAW, F.C.A.^{2*,4*}

Chairman, TransAlta Power Ltd., TransAlta Cogeneration Ltd., BFI Canada Inc.; Former Vice Chairman, Canadian Imperial Bank of Commerce; Director, President's Choice Bank, Holt, Renfrew & Co., Limited, Leon's Furniture Limited, Strongco Inc., Allied Properties REIT.

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; Trustee, Chartwell Senior Housing REIT, BFI Canada Income Fund.

1. Executive Committee

2. Audit Committee

3. Governance, Employee Development, Nominating and Compensation Committee

4. Pension and Benefits Committee

5. Environmental, Health and Safety Committee

* Chairman of the Committee

LISA R. SWARTZMAN (33 and 10 years)
Vice President, Treasurer

GEOFFREY H. WILSON (48 and 17 years)
Vice President, Industry and Investor Relations

ANN MARIE YAMAMOTO (43 and 17 years)
Vice President, Systems Audit

JOYCE C. LEE (32 and 7 years)
Controller, Financial Reporting

LAUREL MACKAY-LEE (34 and 4 years)
Controller, Planning and Analysis

IRENE PINHEIRO (36 and 11 years)
Controller

MARIAN M. BURROWS (49 and 25 years)
Assistant Secretary

WALTER H. KRAUS (41 and 15 years)
Director, Environmental Affairs

PATRICK MACDONELL (34 and 8 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

63% of the Company's common shares are owned beneficially by W. Galen Weston and George Weston Limited.

At year end 2003 there were 274,829,014 common shares outstanding, 4,575 registered common shareholders and 101,284,379 common shares available for public trading.

The average daily trading volume of the Company's common shares for 2003 was 205,403.

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.

COMMON DIVIDEND POLICY

It is the Company's policy to maintain a dividend payment equal to approximately 20% to 25% of the prior year'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 2004 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.

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 or by E-mail at investor@weston.ca

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company of Canada
100 University Avenue
Toronto, Canada
M5J 2Y1
Tel: (416) 263-9200
Toll free: 1-800-663-9097
Fax: (416) 263-9394
Toll free fax: 1-888-453-0330

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

INDEPENDENT AUDITORS

KPMG LLP
Chartered Accountants
Toronto, Canada

ANNUAL MEETING

Loblaw Companies Limited Annual Meeting of Shareholders will be held on Wednesday, May 5, 2004 at 11:00 a.m. at the Metro Toronto Convention Centre, Constitution Hall, Toronto, Canada.

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.

This report is printed in Canada on acid-free recycled paper.



Loblaw Companies Limited
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Toronto, Canada
M4T 2S7
Tel: (416) 922-8500
Fax: (416) 922-7791
www.loblaw.com