

Glossary

Adjusted basic net earnings per common share from continuing operations

Basic net earnings per common share from continuing operations adjusted for items that affect the comparability of the financial results, the exclusion of which are useful to management in assessing the Company's performance and in making decisions regarding its ongoing operations (see Non-GAAP Financial Measures beginning on page 55).

Adjusted EBITDA

Adjusted operating income before depreciation and amortization (see Non-GAAP Financial Measures beginning on page 55).

Adjusted EBITDA margin

Adjusted EBITDA divided by sales excluding the impact of tobacco sales and VIEs (see Non-GAAP Financial Measures beginning on page 55).

Adjusted net earnings from continuing operations

Net earnings from continuing operations adjusted for items that affect the comparability of the financial results, the exclusion of which are useful to management in assessing the Company's performance and in making decisions regarding its ongoing operations (see Non-GAAP Financial Measures beginning on page 55).

Adjusted operating income

Operating income adjusted for items that affect the comparability of the financial results, the exclusion of which are useful to management in assessing the Company's performance and in making decisions regarding its ongoing operations (see Non-GAAP Financial Measures beginning on page 55).

Adjusted operating margin

Adjusted operating income divided by sales excluding the impact of tobacco sales and VIEs (see Non-GAAP Financial Measures beginning on page 55).

Basic net earnings per common share from continuing operations

Net earnings from continuing operations available to common shareholders divided by the weighted average number of common shares outstanding during the year.

Book value per common share

Common shareholders' equity divided by the number of common shares outstanding at year end.

Capital investment

Fixed asset purchases.

Capital investment per common share

Capital investment divided by the weighted average number of common shares outstanding during the year.

Cash flows from operating activities of continuing operations per common share

Cash flows from operating activities of continuing operations less preferred dividends paid divided by the weighted average number of common shares outstanding during the year.

Cash flows from operating activities of continuing operations to net debt

Cash flows from operating activities of continuing operations divided by net debt (see Non-GAAP Financial Measures beginning on page 55).

Common shareholders' equity

Total shareholders' equity less preferred shares outstanding.

Control label

A brand and associated trademark that is owned by Loblaw for use in connection with its own products and services.

Conversion

A store that changes from one Loblaw banner to another Loblaw banner.

Corporate stores sales per average square foot

Sales by corporate stores divided by the average corporate stores' square footage at year end.

Diluted net earnings per common share from continuing operations

Net earnings from continuing operations 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.

Dividend rate per common share at year end

Dividend per common share declared in the fourth quarter multiplied by four.

Free cash flow

Cash flows from operating activities of continuing operations less fixed asset purchases and dividends (see Non-GAAP Financial Measures beginning on page 55).

Gross margin

Sales less cost of sales and inventory shrinkage divided by sales.

Interest coverage

Operating income divided by interest expense and other financing charges adding back interest capitalized to fixed assets.

Major expansion

Expansion of a store that results in an increase in square footage that is greater than 25% of the square footage of the store prior to the expansion.

Market/book ratio at year end

Market price per common share at year end divided by book value per common share 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 square footage of the store prior to the expansion.

Net debt

Bank indebtedness, commercial paper, short term bank loans, long term debt due within one year and long term debt less cash, cash equivalents and short term investments (see Non-GAAP Financial Measures beginning on page 55).

Net debt (excluding Exchangeable Debentures) to equity

Net debt excluding Exchangeable Debentures divided by total shareholders' equity (see Non-GAAP Financial Measures beginning on page 55).

Net debt to equity

Net debt divided by total shareholders' equity.

New store

A newly constructed store, conversion or major expansion.

Operating income

Net earnings from continuing operations before minority interest, interest expense and other financing charges and income taxes.

Operating margin

Operating income divided by sales.

Price/earnings from continuing operations ratio at year end

Market price per common share at year end divided by basic net earnings per common share from continuing operations for the year.

Renovation

A capital investment in a store resulting in no change to the store square footage.

Retail sales

Combined sales of stores owned by Loblaw and those owned by Loblaw's independent franchisees.

Retail square footage

Retail square footage includes corporate and independent franchised stores.

Return on average common shareholders' equity

Net earnings from continuing operations available to common shareholders divided by average total common shareholders' equity.

Return on average total assets

Operating income divided by average total assets excluding cash, cash equivalents, short term investments and assets of discontinued operations (see Non-GAAP Financial Measures beginning on page 55).

Sales excluding the impact of tobacco sales and VIEs

Total sales less sales attributable to tobacco sales and the consolidation of VIEs pursuant to AcG 15 (see Non-GAAP Financial Measures beginning on page 55).

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.

Variable interest entity ("VIE")

An entity that either does not have sufficient equity at risk to finance its activities without subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest (see note 26 to the consolidated financial statements).

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.

Working capital

Total current assets excluding current assets of discontinued operations, less total current liabilities excluding current liabilities of discontinued operations.

Year

The Company's year end is December 31. Activities are reported on a fiscal year ending on the Saturday closest to December 31, usually 52 weeks in duration, but includes 53 weeks every 5 to 6 years.