

4. OPERATING AND FINANCIAL STRATEGIES

In order to be successful in achieving its vision, the Company employs various operating and financial strategies. Each of the Company's two reportable operating segments has its own risk profile and operating risk management strategies.

Weston Foods' long term operating strategies include:

- customer alignment;
- brand development including innovative new products to meet the nutritional and dietary concerns of consumers;
- plant and distribution optimization including capital investment to strategically position facilities across North America to support growth and enhance quality, productivity and efficiencies;
- ongoing cost reduction initiatives with the objective of ensuring a low cost operating structure and economies of scale;
- strategic acquisitions and relationships to broaden market penetration and expand geographic presence; and
- building leadership capability.

Loblaw's mission is to be Canada's best food, health and home retailer by exceeding customer expectations through innovative products at great prices. Under the principles of Simplify, Innovate, Grow, Loblaw employs various operating and financial strategies which guide Loblaw over the long term and represent a philosophy for the way in which it conducts its business. Loblaw has simplified its organization by more clearly defining accountabilities, eliminating duplication and establishing consistent, simple and efficient processes. A less complex organizational structure and a short list of key performance indicators are expected to lead to more focus in 2008 on customers and store operations, and for the first time ever, to enable Loblaw to fully leverage its national scale.

Innovation is one of the many strengths of Loblaw, most clearly exhibited by its control label offerings. Loblaw supports innovation based on the belief that providing consumers with new products and convenient services at competitive prices and stimulating shopping environments is critical to its success.

In 2006, Loblaw developed its Formula for Growth to define priorities for a three to five year turnaround plan. To provide an integrated offering of food, general merchandise and drugstore, Loblaw's Formula for Growth focuses on the following:

- best format: truly distinctive formats meeting customers' different needs;
- fresh first: best fresh food offering;
- control label advantage: leading in the development of unique, high quality control label products and services;
- 10% Joe: grow *Joe Fresh Style* brand by offering great style at an affordable price;
- health, home and wholesome: making healthy living affordable for all Canadians;
- priced right: providing best value for money, when compared to all relevant shopping choices;
- always available: best in-stock positions; and
- friendly colleagues motivated to serve: investing in colleagues to support customer satisfaction.

Loblaw's long term operating strategies are consistent with its Formula for Growth and continue to be as follows:

- use the cash flow generated in its business to invest in its future;
- own its real estate, where possible, to maximize flexibility for product and business opportunities in the future;
- use a multi-format approach to maximize market share over the longer term;
- focus on food but serve the consumer's everyday household needs;
- create customer loyalty and enhancing price competitiveness through a superior control label program;
- implement and execute plans and programs flawlessly; and
- constantly strive to improve its value proposition.

The Company's financial strategies include:

- maintain a strong balance sheet;
- minimize the risks and costs of its operating and financing activities; and
- maintain liquidity and access to capital markets.

The success of these and other plans and strategies discussed in this MD&A may be affected by risks and uncertainties, including those described in the Operating Risks and Risk Management and Financial Risks and Risk Management sections of this MD&A, beginning on pages 43 and 48, respectively.

The Company's Board of Directors (the "Board") and senior management meet annually to review the strategic imperatives.

These strategic imperatives, which generally span a three to five year timeframe, target specific issues in response to the Company's performance and changes in consumer needs and the competitive landscape.

The Company believes that if it successfully implements and executes its various strategic imperatives in support of its long term operating and financial strategies, it will be well positioned to fulfill its vision of providing sustainable returns to its shareholders over the long term.