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CONFERENCE CALL  
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UNIDENTIFIED FEMALE SPEAKER: Chair of the board, Mr. Robert Dexter.

ROBERT DEXTER (Chair of the Board, Empire Company Ltd.): Oh, thank you for the clap, yeah. You were all expecting a great movie, I can see. I'd like to say this is going to be better than a bad movie, but you guys can judge it for yourself.

Anyway, good morning, ladies and gentlemen. Welcome to the 29th annual general meeting of Empire Company Ltd. My name is Rob Dexter. I'm chair of the board, and I'll be chairing the meeting. I would also like to note that we have a number of the Nova Scotia Community College business students in attendance, along with their instructor, Rosemary Davis. So welcome to each of you.

In addition, we have a number of employees from the Sobeys Shared Services who are working towards their Certified General Accounting and Certified Management Accounting designation. And they're accompanied by Lillie Cruikshank, Vice President of Shared Services. And again, thanks to each of you joining us.

To my right is Paul Sobey, President and Chief Executive Officer; Bill McEwan, President and Chief Executive Officer of Sobeys; Paul Beasley, Executive Vice President and Chief Financial Officer; and Karin McCaskill,

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Secretary of the company and Senior Vice President and General Counsel of Sobeys.

Karin will act as secretary of the meeting. I've asked Ms. Jeannette Eisner and Ms. Cindy Harris of CIBC Mellon Trust Company to act as scrutineers.

Our agenda today includes first the formal part of the meeting, a few remarks of my own, and a look at fiscal 2011 and our strategies going forward, which Paul Sobey will talk about. And then we'll be happy to answer any questions you may have.

I now call the meeting to order. Karin McCaskill, as secretary of the company, has advised me that we have 34,260,763 Class B voting common shares represented at this meeting, either in person or proxy, which represent 100 per cent of the total outstanding Class B common shares. So I now declare the annual general meeting to be duly constituted.

The minutes of the annual general meeting held September 10th, 2011 were distributed when you registered this morning, and additional copies are available. So unless there are any objections, I will dispense with the reading of the minutes. Are there any errors or omissions in the minutes? Hearing no objections, I'll take the minutes as approved.

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I would now like to introduce the directors, and I would ask each nominee as I mention their name to stand up. These are the directors who'll be standing for this year. First, Marcel Cote; David Ferguson. Edward Harsant; David Leslie; Bill McEwan; Malen Natural gas; Mel Rhinelander; Steve Savidant; David Sobey; Donald Sobey; Frank Sobey; John Sobey; Karl Sobey; Paul Sobey; Rob Sobey.

At this stage I'm usually encouraged to say something witty. But given that these guys represent 100 per cent of the votes, I decline to do so.

I would also at this time like to extend our sincere thanks to Christine Cross who's retiring from Empire board as of today. Christine has joined us over eight years. She's got great international experience in food retailing, and we had a great send-off for her last night. But Christine is always very well worth listening to, has some great insights, and has been a great contributor to the business. And as I mentioned last night, Chris, I'm always amazed because she travels all over the world, she always looked so elegant and gracefully. So Christine, thanks very much for your contribution to the board.

(APPLAUSE)

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As noted in the notice of annual general meeting and management information circular, at this meeting we are to approve the following items: First, the election of each of the directors I've just mentioned. And fixing the maximum number of directors at 18. The directors' remuneration is set out in the circular, and the appointment of Grant Thornton LLP as auditors of the ensuing year, and authorization of the directors to fix the remuneration of Grant Thornton.

Are there any questions on any of these matters?

As proxies for 100 per cent of the voting shares have been deposited in favour of these matters, we obviously have enough votes already for their approval. For the record, is there any voting shareholder at the meeting who would like to register a vote contrary to any of these matters?

Hearing none, I declare each of these items passed as outlined in the notice of meeting in management information circular.

I now turn to the advisory resolution on executive compensation in respect of which both Class A and Class B shareholders have voted. This is an advisory vote and therefore not binding upon the board of directors. However, the board, and in particular the Human Resource Committee,

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continues to be interested in the feedback from all shareholders with respect to executive compensation.

Our philosophy is based on the fundamental principles to pay for performance, to align the interests of our executives and those of our shareholders. This compensation approach allows us to attract, motivate and retain highly qualified executives who are encouraged to make decisions and take actions that will create long-term sustainable growth and result in long-term shareholder value.

Of the proxies received, 100 per cent of Class B and 96.2 per cent of Class A shares were in favour of the advisory resolution on executive compensation, so we already have enough votes as well to pass this resolution.

For the record, is there any shareholder at the meeting who would like to register a vote contrary to the advisory resolution who have not already done so? Hearing none, I declare the resolution passed.

The audited consolidated financial statements were mailed to each registered shareholder, and as well copies had been available at this meeting. While there's no requirement that these documents be approved by the shareholders, at this stage we are open to any discussion or questions anyone may have. Are there any questions?

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If not, and before I turn it over to Paul, I just want to make a few remarks of my own.

The business environment over the 12 months ending May 7th, 2011 was an improving but uncertain one for many companies amid continuing weakness in the Canadian economy. Today, prospects for growth remain unclear as reflected by lower than normal consumer confidence and continuing volatility that we see in the capital markets. Empire's success in the midst of such an environment is once again a validation of the decisions we made several years ago to concentrate the company's resources on food retailing and related real estate.

The performance of Sobeys was a key factor in Empire's fiscal 2011 financial performance. Sobeys' management team continued to skilfully execute a strategy that is bringing the benefit of a modern retail grocery network to more Canadians, and encouragingly those shoppers to buy more each time they visit one of our stores, helping Sobeys make measurable progress in the goal to be widely recognized as the best food retailer and workplace environment in Canada.

Fiscal 2011 was also a year in which we continued to capitalize on the synergies that exist between Sobeys and our related real estate. We believe that this strategic partnership represents a sustainable competitive

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advantage to the growth of our food retailing network. It is also one that allows us to generate more value from our real estate assets throughout the economic cycle.

At Empire the quality of the board of directors and its commitment to good governance is another important factor to our success. We believe that good governance is essential to any company's ability to succeed. It is our core fiduciary responsibility to oversee the development of a cohesive strategy, and one that will build long-term shareholder value and as well, its execution. We must ensure that this strategy includes appropriate assessment and mitigation of the principle risks facing the company.

To accomplish our task, Empire's board has strong representation from our largest shareholders and the valued presence of independent directors with a wide range of experience and skill. There is a healthy dynamic in our deliberations that allows us to provide valuable advice to management, as well as excellent stewardship for the shareholders.

Another important element of governance and one that is attracting increased attention from shareholders and regulators is our responsibility for executive compensation. The Empire board has long ensured that our executive compensation programs are designed to encourage

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management behaviour, consistent with the creation of long-term sustainable growth and long-term shareholder value creation.

In closing, on behalf of the entire board, I would like to extend our sincere appreciation to the management and employees of Empire and its operating companies and affiliates. Their efforts have made it possible to earn the continuing loyalty and confidence of our customers, and deliver again another solid financial performance for our shareholders.

I'd now like to turn the meeting over to Paul to take forward what happens on our strategies in the quarter. Paul, over to you.

PAUL SOBEY (President and Chief Executive Officer, Empire Company Ltd.): Thanks, Rob.

Almost had a curtain call. Good morning, everybody, and thanks, Rob. Ladies and gentlemen, on behalf of everyone at the Empire group, thanks for being with us here this morning. And I'd also like to thank everyone who's been involved in the preparation of today's annual meeting, and again all the wonderful product and service out in the foyer.

As Rob mentioned, the decision we made several years ago to focus our resources primarily on our food retailing and related real estate businesses has continued to help us deliver improved financial performance in a very challenging and competitive environment.

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The reality is though, the reality is you can have the best strategy in the world, but without great people who can run your businesses day in and day out, it will fail. You need people with the authority, responsibility, and yes, accountability to execute their respective businesses day in and day out. We are fortunate, we are indeed fortunate to have very talented people in our businesses. As illustrated by the theme of this year's annual report, we are focused on being the best by working together. And that focus has delivered another year of strong operating performance.

We are pleased to report that sales for fiscal 2011 surpassed \$16 billion, up \$510 million from that reported at last year. We also achieved record operating earnings, plus 8.2 per cent with \$307.8 million or \$4.51 per share. This was largely a result of strong performance of Sobeys, resulting from continued operational improvements, the benefit of a 53rd week, and lower effective income tax rates. And over the past 10 years Empire's operating earnings have grown at a compounded annual rate of 13.3 per cent. And during the year Empire reported capital gains on other items of \$61.7 million compared to \$17.4 million in the prior year. This amount reflects the net capital gain of \$75.8 million from the sale of our investment in Wajax Income Fund during the second quarter, which was partially offset by store closure costs associated with our FreshCo roll out

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and the rationalization of our distribution networks in Ontario and Quebec. And this resulted in net earnings for the year of \$369.5 million or \$5.42 per share.

And at the same time our balance sheet continued to strengthen. At the end of the year Empire's ratio of debt to total capital improved 26.4 per cent from the 29.3 per cent a year ago. And this improvement was largely the result of operating performance improvements at Sobeys, as well as the use of proceeds from the sale of our investment at Wajax, and indeed the sale of properties to Crombie REIT to reduce our overall debt levels.

And in recognition of our improved operating performance and financial condition, at the end of June your board of directors approved a 12.5-per-cent increase in Empire's annual dividend to \$0.90 per share. This is the 16th consecutive annual increase. And our dividends have increased at a compounded growth rate of 16.8 per cent over the last 10 years. And our book value per share continues to improve and has increased 11 per cent to reach \$47.76, and again that's a compounded annual growth of 11 per cent over the 10 years.

I'd like to now turn to the performance of our businesses. First Sobeys, which has been the foundation of our success over the past 104 years. And today our passion for food and the ability to consistently

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execute continues to derive our performance under the very capable leadership of Bill McEwan and his team.

Sobeys continued to make measurable progress in its goals to be widely recognized as the best food retailer and workplace environment in Canada. Sobeys continues to build momentum as they execute their very determined and focused strategy. Our consolidated results reflect that focus and determination. And during the year Sobeys' sales increased 3.4 per cent to reach \$15.8 billion.

For the sixth consecutive year Sobeys achieved industry-leading same-store sales growth. And same-store sales growth last year increased 0.2 per cent in an environment of persistent food price deflation during the year. Results were impacted by and our customers... our customers benefited from intense promotional activity and intense discounting throughout the industry, in particular the Ontario marketplace. Sobeys' ability to sustain its growth rate in this deflationary environment reflects Sobeys' management capabilities and focus on detail that is retail.

Critically important, during the year, Sobeys continued to advance the cost and productivity initiatives that have enabled them to grow earnings at a faster pace than sales. Operating income reached \$446 million, a 4.8-per-cent increase over the prior year. And operating margins

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improved to 2.83 per cent, again an improvement from the 2.79 per cent in the previous year. And our net earnings increased to \$264 million.

Sobeys continued to invest. And over the past five years Sobeys has invested \$2.1 billion in its store network and reporting infrastructure. Investments have been made in our stores and our distribution centres, in our business systems and processes. In addition to these capital investments, Sobeys continues to invest in our greatest competitive strength: our people. Sobeys remains committed to the training, development and engagement of our employees who have always been a frontline key to our growth and success.

In fiscal 2011 Sobeys invested \$519 million to expand and improve the quality of its retail square footage and infrastructure. Today Sobeys' store count consists of 1,337 stores plus, comprised of 28.7 million square feet with approximately what we consider standard at 70 per cent. And that's up materially from several years ago.

We prudently deploy capital to improve the quality of our assets to drive increased sales per square foot. The modernization and expansion of our food retailing network includes substantial investments in FreshCo's hard discount banner in Ontario. FreshCo has repositioned and absolutely solidified our participation in the fastest growing discount segment in

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Ontario by successfully delivering on a fresher, cheaper shopping experience. And to date, 64 FreshCo stores have been re-bannered.

Sobeys has continued to invest in the development of its network of full service banners. And during the past year, next generation Sobeys, IGA Extra, and Thrifty Food stores were introduced and are helping to raise the bar in the full service food retailing. And these exciting prototype stores, as they evolve, we are committed to migrating the best of what we've learned throughout our retail network in order to further differentiate the food shopping experience for our customers.

As well, after the year's careful repositioning, investments in Lawtons Drugs, Foodland, Needs, and Sobeys Urban Fresh have developed into distinct formats that continue to serve the unique shopping requirements of our customers in a wide variety of markets. Sobeys has also upgraded their capabilities and efficiencies of its distribution facilities, including the current construction of its second automated distribution centre scheduled to open in early 2013, just outside of... near Montreal.

And like the Vaughn distribution centre in Ontario, this new facility will incorporate the same automated warehouse and picking technologies with a few important upgrades that have dramatically improved the timeliness and accuracy and flexibility of our distribution network in

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Ontario. And over the past several years Sobeys has made significant investments to simplify and improve the efficiencies of its business process and information systems, including the implementation of SAP across most of our network, and most recently underway in Quebec.

And Sobeys continues to harvest the benefits of significant investments it has made in customer loyalty programs and related insight capabilities. The Sobeys... Club Sobeys card, the Club Thrifty Foods, and Air Miles reward programs are all increasingly popular with Sobeys' customers. But their greatest value can be found in the rich insights they provide to our customers' behaviours. Understanding the unique needs and preferences, individual preferences of shoppers and households is a powerful competitive advantage that we will continue to leverage.

Customers Insights has also helped guide the development of our multi-tiered Compliments private label program, which has established itself as a leading Canadian food brand. It includes Compliments Balanced, a growing line of healthy and delicious products that are designed to answer the growing nutritional awareness of the Canadian consumer, and Sobeys intends to be at the forefront of this important trend.

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Now going forward we expect the marketplace to remain intensely competitive, and the skill and dedication of our people within the Empire group will be the key to our success more than ever before as we continue to strive to be the best together. And that's why we are determined to be even more deliberate and disciplined in how we approach the attraction, retention and personal growth of the people who can make the biggest difference to our success. We are committed to building an even stronger culture of performance and collaboration to fully leverage the strength of the whole organization.

We continue to make significant progress. There is a strong sense of pride, a strong sense of pride and a winning spirit throughout the organization that has taken root from doing the job well in alignment with clearly understood strategic objectives.

And we remain committed to meeting the needs of our customers through innovation and the differentiation of our products and our services.

Our day in and day out execution is better than ever, and we'll continue to work hard to reduce costs and increase our productivity to fuel our ability to sustain our competitive position. And we are confident that with the leadership and talent in place, Sobeys will remain well positioned for ongoing growth.

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And as indicated by the theme of this year's annual report, we are focused on being the best by working together, and this extends to our real estate operations. Fiscal 2011 was a year of steady progress for Empire's real estate division, which principally consists of our investment in Crombie REIT and Genstar. Our fully diluted 40.4-per-cent ownership in Crombie represents an excellent investment in one of the steadiest performing sectors in commercial real estate. And equally important, it is the basis of a unique and mutually beneficial strategic relationship with Sobeys.

And during the year Crombie REIT purchased 12 new freestanding and food-anchored properties from Sobeys and other subsidiaries of Empire for \$104 million. From the outset such transactions have provided important benefits to both organizations. For Sobeys Crombie is a like-minded real estate investor with an interest in creating maximum value over the long term. And such focus ensures well managed and maintained properties for Sobeys, and the flexibility to expand or renovate when required. For Crombie REIT a strong relationship with Sobeys helps ensure preferred access to new, high-quality properties that serve the everyday needs of our local communities.

And Crombie REIT's financial performance continued to be strong. For fiscal 2011 Crombie REIT's cash flow and operating income

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contribution to Empire reached \$26.7 million and \$18.7 million respectively. The value of our investment in Crombie also continued to increase. And during the fiscal year Empire acquired an additional 20.5 million units of Crombie while the market value of Crombie units increased 11 per cent. And this performance is a reflection of the solid leadership Donnie Clow and his team. For more information on Crombie I'd just refer to their website.

And we also need to be pleased with our ownership interest in Genstar, which acquires properties for development into master planned residential communities. Genstar's operating income contribution increased 4 per cent to \$32 million amid continuing softness in the construction and new housing, particularly in Western Canada.

And finally, I'd like to say a few words about Empire's investment in other operations. Sales in the investment and other operating segments, primarily generated by wholly owned Empire Theatres, totalled \$189 million in fiscal 2011. Empire Theatres remains the second largest movie exhibitor in Canada with 51 locations and 386 screens in eight provinces across Canada. With the continued roll out of digital cinema and 3D technologies, which somebody they wanted to see today, we look forward to the continued growth of this business.

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And again, we're very fortunate to have capable leadership, and Stuart and his team, Stuart Fraser and his team are doing a great job.

With respect to investments in the second quarter, as I mentioned, we sold our ownership interest in Wajax Income Fund for net proceeds of \$121.3 million. And Wajax's contribution, up to the time of disposition, was \$8.7 million for fiscal 2011, and that would compare to \$9.2 million for the full prior year. And the net proceeds were used to reduce Empire's direct indebtedness, as well as to purchase for cancellation the total of approximately 514,000 non-voting Class A shares under Empire's normal course issuer bid.

Now I'd like to now turn to Empire's consolidated first quarter results that were released this morning. And again, I'm very pleased to say that we are again off to a very good start. Now it should be noted that effective this quarter we have transitioned to international financial standards – and if you get a copy of the report you'll see how big they are now. They're a lot larger – which everybody refers to as IFRS. And all of our comparative figures have been adjusted to conform with this new IFRS.

Our consolidated sales for the first quarter ended August 6th totalled \$4.15 billion, up \$128 million or 3.2 per cent over last year. Our operating earnings equalled \$90.1 million or \$1.32 per share as compared to \$1.26

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per share, a 4.4-per-cent increase, and our balance sheet continued to strengthen.

Sobeys continues to be the main driver of our success in the first quarter. Sobeys reported sales growth of 3.4 per cent, operating income contribution to Empire of \$134.4 million, and our residential operating income contribution in the first quarter was \$7.5 million compared to \$7.9 million recorded in the prior period. And Crombie REIT's contributed \$4.8 million to operating income in the first quarter versus \$4.4 million in the prior period.

Now going forward our key priorities have not changed. We intend to remain focused on our core strengths in food retailing and related real estate. And the fundamentals in both businesses are sound, and continue to position Empire well for steady growth in today's economy.

The persistent food deflation of the past two years continues to abate in the first quarter of fiscal 2012 with food input prices translating into modest, modest inflation at the retail grocery level. In either case, Sobeys will continue... will continue to focus on the things that it can control through the execution of its many sales and productivity initiatives.

The outlook for our real estate division is similarly positive. Through investment in Crombie REIT we expect to continue to enjoy the benefits of

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steady cash flow growth and capital appreciation from high-quality potential commercial real estate assets.

And in closing, I want to assure you that we'll continue... we will continue to work hard together to build long-term sustainable shareholder value.

And Bill and I would like to thank the contributions of our dedicated and outstanding employees, including the employees of our franchisees and affiliates who have stayed focused on our plans, and have once again delivered solid results. We are equally proud of the way they've been working together to improve the quality of life in the communities that we serve from coast to coast. Today we support a wide and growing range of initiatives at the corporate, regional and store level to support a lot of activities in each one of these respective communities, as well as to advance the fight against cancer, heart disease, hunger and a number of other important causes.

And I think it's worthy to note that during the past year more than \$20 million was contributed or raised by Sobeys and its franchise operations, Empire and its related companies, various Sobeys foundations and financial support from our employees and our customers.

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In closing, on behalf of the board and our shareholders, we offer a sincere thank you for their ongoing effort and support. And I'd like to also acknowledge Empire's outstanding board of directors. Their insight and guidance has been critical to our success, and they have fulfilled their fiduciary role as stewards of shareholders' interests with diligence and integrity.

And I indeed second Rob's remarks earlier with a special thanks to you, Christine, who has served on the Empire and Sobeys board for over the past eight years.

And finally, I'd like to express our appreciation to you, our shareholders. Your confidence and trust during a lingering economic uncertainty of the past year is sincerely appreciated. And with the continued guidance of our board and support of our customers and employees, franchisees and affiliates, we are confident that Empire will continue to be the best together and prosper in the years ahead. Thank you.

(APPLAUSE)

ROBERT DEXTER: Thank you, Paul. Thanks, Paul.

Is there any other business from the floor? Are there any questions from the floor? I'm looking around. Ah, there is one. Yes?

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UNIDENTIFIED MALE SPEAKER: (Off microphone).

ROBERT DEXTER: Is there a mic or some...?

UNIDENTIFIED MALE SPEAKER: (Off microphone).

ROBERT DEXTER: Our investment in Genstar?

UNIDENTIFIED MALE SPEAKER: Maybe you could repeat. Do we have a mic that we... Yeah, I think it would be better if we get a mic.

UNIDENTIFIED MALE SPEAKER: Okay.

UNIDENTIFIED MALE SPEAKER: Thank you.

UNIDENTIFIED MALE SPEAKER: Has your exposure to the investment in Genstar increased by 3 or 4 per cent recently?

ROBERT DEXTER: We increased the percentage interest last year. It's around 40.4 per cent...

UNIDENTIFIED MALE SPEAKER: Yeah.

ROBERT DEXTER: ... approximately, yeah.

UNIDENTIFIED MALE SPEAKER: Thank you.

ROBERT DEXTER: Any other questions? Not seeing any... you guys see any questions there?

PAUL SOBEY: I can't see.

ROBERT DEXTER: We're blinded up here. All right. May I have a motion to terminate the meeting?

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CAROL: I motion to terminate the meeting.

ROBERT DEXTER: Thank you, Carol. May I have a seconder?

STUART FRASER: Mr. Chairman, I second that.

ROBERT DEXTER: Thank you, Stuart. I now declare the motion passed and the meeting terminated.

Thank you, ladies and gentlemen for attending. And as always you're always invited back to Crombie where we'll have a lunch there, and we all look forward to seeing you then.

Thank you again very much.

PAUL SOBEY: Thank you. Well done.

(APPLAUSE)

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