

EVENT: EMPIRE COMPANY LIMITED Q4 FISCAL 2010
CONFERENCE CALL
TIME: 13H00 E.T.
REFERENCE: CNW GROUP
LENGTH: APPROXIMATELY 36 MINUTES
DATE: JUNE 25, 2010

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OPERATOR: Good afternoon. My name is Mason, and I'll be your conference Operator today. At this time, I would like welcome everyone to the Empire Company Limited Q4 Fiscal 2010 Conference Call. All lines have been placed on mute to prevent (inaudible) background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during that time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you.

I would now like to turn the call over to Mr. Paul Beesley. You may now begin.

PAUL BEESLEY (Executive Vice President and Chief Financial Officer, Empire Company Ltd.): Thank you, Mason. Good afternoon and welcome to the Empire Company Ltd. Fourth Quarter and Fiscal 2010 year end conference call. Thanks for joining us. The comments today will focus primarily on the financial results for the fourth quarter ended fiscal year ended May 1, 2010. At the conclusion of our comments, we'd be pleased to entertain your questions. This call is being recorded in live audio on our website at www.empireco.ca.

Today's discussion includes forward-looking statements. We want to caution you that such statements are based on management's

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assumptions and beliefs. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements.

Joining me on this call are, from Empire Company Ltd., Paul Sobey, President and Chief Executive Officer, and Stewart Mahoney, Vice President, Investor Relations and Treasury. From Sobeys, we have Bill McEwan, President and Chief Executive Officer, Francois Vimard, Chief Financial Officer, and Paul Jewer, Senior Vice President, Finance and Treasurer.

This morning, we released Empire's financial results for the fourth quarter and fiscal year ended May 1, 2010. Empire reported consolidated revenues for the fourth quarter of \$3.84 billion compared to \$3.71 billion the previous year, a 3.4 percent increase. Revenue for the full year was \$15.52 billion, a 3.3 percent increase from the \$15.02 billion recorded in fiscal 2009.

Empire recorded fourth quarter operating earnings—that is, earnings before net capital gains and other items—of \$71.9 million, or \$1.05 per share, compared to \$62.9 million, or \$0.95 per share, in the fourth quarter last year. It should be noted that per share operating earnings and per share net earnings were impacted by an increase in Empire's diluted

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weighted average number of shares outstanding during the fourth quarter to 68.5 million from 66 million outstanding during the fourth quarter last year as a result of an equity issuance completed in April of last year.

On a full year basis, the weighted average number of shares outstanding increased to 68.5 million from 65.8 million outstanding during fiscal 2009. For the full year, Empire's operating earnings were \$284.5 million, or \$4.15 per share on a fully diluted basis. This represents an 8.7 percent increase over fiscal 2009 operating earnings of \$261.7 million, or \$3.97 per share.

Net earnings in the fourth quarter equalled \$73.5 million, or \$1.07 per share, compared to \$62.1 million, or \$0.94 per share last year. For the full year, net earnings totalled \$301.9 million, or \$4.40 per share, versus \$264.7 million, or \$4.02 per share last year.

The company recorded capital gains and other items net of tax of \$17.4 million in fiscal 2010 compared to capital gains and other items net of tax of \$3 million last year. Capital gains and other items recorded in fiscal 2010 were primarily related to a \$17 million tax settlement related to the fiscal 2001 sale of shares in Hannaford Brothers. Capital gains and other items reported in fiscal 2009 are primarily from the sale of non-core properties.

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Empire's liquidity remains strong, with cash and cash equivalents of \$401 million at the end of fiscal 2010. The ratio of net debt to capital at the end of the fourth quarter equalled 21.8 percent, versus 26.4 percent last year and 28.6 percent at the start of the fiscal year. Subsequent to fiscal year end, Empire renewed its (inaudible) bank credit facility for three years, maturing on June 30, 2013. While completing the credit, Empire's management determined that the company's credit requirements had decreased, and as a result, the facility was reduced from 650 million to \$450 million. Authorized bank credit facilities now exceed borrowings by \$640 million. Also, subsequent to fiscal year end on June 7, 2010, Sobeys issued \$150 million of 30-year MTNs at an interest rate of 6.64 percent.

I'll now turn the call over to Paul Sobey.

PAUL SOBEY (President and Chief Executive Officer, Empire Company Ltd.): Thanks, Paul. Good afternoon, everyone. Empire's operating earnings and enterprise value continue to reflect the solid performance of Sobeys and our real estate businesses. We are particularly pleased with the strong fourth quarter performance from our residential real estate operations, Gemstar. Bill will provide his comments on Sobeys a little later.

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Consistent with our growth, on behalf of our board, we also announced today an increase in Empire's common dividend per share from \$0.74 annually to \$0.80 annually. This marks the 15th consecutive year of dividend increases. The \$0.80 dividend rate equals 19.3 percent of our fiscal 2010 operating earnings per share.

During the fourth quarter, Empire's Real Estate Division recorded operating earnings of 13.5 million versus 5.7 million last year, a \$7.8 million improvement. Residential real estate earnings for the fourth quarter increased 7.9 million over the same quarter last year as a result of a 5 percent increase in our ownership interest to approximately 40 percent, as well as higher residential lot sales activity partially offset by lower margin on those sales.

Crombie REIT's contribution to Empire's operating income in the fourth quarter was 4.4 million versus 4.9 million last year. The decrease is largely due to Crombie REIT's reporting higher interest and general administrative expenses offset in part by decrease in income tax expense.

In terms of occupancy rates, both the retail and office markets where Crombie has a prominent presence remain stable, with occupancy levels relatively unchanged from the prior year. During the fourth quarter, Crombie completed the previously announced acquisition of eight

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properties from ECL Developments for net cash proceeds of approximately \$556 million.

With respect to investments and other operations, operating earnings in the fourth quarter, net of corporate expenses, improved 1.6 million over their fourth quarter of last year. The increase is largely the result of higher earnings from Empire Theatres, along with higher interest income, which, collectively, more than offset the decline in equity earnings reported by Wajax, which we had expected. For detailed information on both Crombie and Wajax's performance, please see their respective quarterly releases dated May 6 and May 7, respectively.

Now, I'll turn it over to Bill McEwan for his comments on Empire's Food Division.

BILL MCEWAN (President and Chief Executive Officer, Sobeys):
Thank you, Paul. Sobeys's sales in Q4 were \$3.75 billion, up \$104 million, or 2.8 percent from last year. Same-store sales grew by 0.5 percent in the quarter. Aggregate deflation was approximately 2 percent for our fourth quarter as compared to deflation of 1.5 percent in the prior quarter. We have realized positive real same-store sales growth in each quarter, dating back well before fiscal 2008.

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Sobeys' EBITDA in the fourth quarter increased \$800,000 to \$180.6 million. Fourth quarter EBITDA as a percentage of sales was 4.81 percent compared to 4.92 percent in the same quarter last year. This reflects a 25 basis point decline in gross margin, partially offset by a 14 basis point improvement in SG&A expense as a percentage of sales.

Additionally in the fourth quarter of fiscal 2010, we incurred additional costs of \$5 million related to the launch of the FreshCo brand and banner in Ontario.

Sobeys's Q4 net earnings increased \$2 million to 62.3 million, up 3.3 percent over last year.

We continue to invest in our store network and infrastructure. During the fourth quarter, we invested \$106 million in our store network and infrastructure. Eleven corporate and franchise stores were opened, acquired, or relocated. Four stores were expanded, and fourteen stores were re-bannered. At fiscal yearend May 1, Sobeys's square footage total 28.1 million square feet, a 2.2 percent increase over last fiscal year.

A few comments on our full fiscal year results. Sales for fiscal 2010 full year increased 3.2 percent to \$15.24 billion, up from \$14.76 billion in fiscal 2009, an increase of just short of half a billion dollars. Same-store sales grew by 1.9 percent for the full fiscal year. EBITDA for fiscal 2010

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was \$742 million, an increase of 32 million, or 4.5 percent from last year. EBITDA as a percentage of sales for fiscal 2010 was 4.87 percent compared to 4.81 percent last year.

Despite \$341 million invested in our store network and infrastructure over the last year, our debt ratio continues to improve, largely as a result of our fiscal 2010 free cash flow of \$347 million. At the end of fiscal 2010, Sobeys funded debt to total capital ratio was 27.1 percent, down from 31.3 percent a year ago.

The momentum in our progress continues on the strength of a series of strategic, management, and operational improvements and investments we've made over the past several years. Our product and service innovation initiatives continue. For example, in fiscal 2010, we repositioned 1,532 private label products, which included exiting the complete values complement tier, replacing it with a very distinct, focused entry price assortment under the Signal brand. In fiscal 2011, 2,500 additional products will be recalibrated to complete the end-to-end private label repositioning work within our stated two-year target objective.

We continue to leverage our scale and sales performance in procurement, and we do so without compromising the clear advantages of

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regional and local management teams executing with authority and agility to capture individual market opportunities.

Our distribution network has been continually upgraded and expanded, and our new automated distribution centre in Vaughn, Ontario, continues to meet our expectations. Our fresh item management and workforce management processes continue to fuel our ability to sustain our competitive retail price and promotional position.

Our Club Sobeys, Club Thrifty Foods, and Air Miles Program all continue to attract new customers each month; all built on the same platform and inclusive of the strategic and comprehensive customer insight capabilities that we have in-house, and to our exclusive, highly-qualified third party relationship with Clearasil. We are deploying our customer insight platforms across the country as we speak. We will soon have the tools in place in all regions to more clearly understand our customer needs and are working on a suite of initiatives to harvest the full potential of our insight capabilities.

Additionally, we've begun the deployment of our automated computer ordering process, with the first phase already complete and operational in Atlantic. We have already seen significant improvement in

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our in-stock positions, assortments, and inventory reductions as a result of this Phase 1 implementation.

And FreshCo, subsequent to year end, we completed the conversion of eight Price Chopper locations to our new FreshCo banner, where customers can expect low everyday prices without the traditional compromises associated with ordinary discount stores. The first eight stores located in Brampton and Mississauga, Ontario, are the initial wave in the rollout of dozens of additional FreshCo locations over the next 18 months. Results from the initial eight locations to date have been very encouraging. Acceptance of the FreshCo brand across the discount store operator network has been very positive, as well.

Bottom line, as a team, we are committed to being the best food retailer in the country. We will remain focused on improving our offerings, our service, and our productivity. We intend to continue to lower our costs, as well, and execute well and consistently, store-by-store. I'll now turn it back to Paul for his comments.

PAUL SOBEY: Thanks very much, Bill. Our fiscal 2010 results reflect continued solid performance across each of our businesses. Going forward, our key priorities have not changed. Empire remains committed to investing in businesses that we know and understand, and specifically,

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we intend to remain focused on our core strength in food retailing and real estate. Sobeys continues to grow its sales and profitability in a very competitive market. We will continue to support Sobeys as it innovates, executes, and grows in a manner that is consistent with being widely recognized as the best food retailer in the country.

We are also pleased with the continuing progress of Empire's Real Estate Division, and during the last past year, ECL Developments Ltd. worked hand in hand with Sobeys' national and regional site selection teams to support the growth of our food retailing operations. In fact, subsequent to year end, we took this important relationship one step further by internalizing all site selection and development work for our food retailing network within Sobeys itself. This reorganization will better align our real estate development functions with the interest of Sobeys.

In closing, our corporate success and sustainability has been made possible by the more than 90,000 employees, franchisees, and affiliates of the Empire group of companies. They have been instrumental in creating a successful and exciting organization, and that success has turned--has, in turn, created a winning environment. We look forward to continuing to work hard in fiscal 2011, on further execution of our strategies and

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business plans, on satisfying our customers, and on growing the company. We'd be now happy to respond to your questions. Thank you very much.

OPERATOR: At this time, I would like to remind everyone in order to ask a question, please press star, one on your telephone keypad. We will pause for a brief moment to compile the company roster.

Your first question comes from the line of Patricia Baker from Scotia Capital. Your line is open.

PATRICIA BAKER: Good afternoon. Bill, can you speak to the decline in the gross margin and what factors were there in the quarter?

BILL MCEWAN: Well, no serious factors whatsoever. We had some additional promotional activity in Atlantic Canada, some heightened activity associated with the launch of our program in Ontario, and some modest investment associated with some price corrections in Western Canada. I'd share with you that we're not concerned about the decline in the gross margins at this time; it's the ebb and flow of the business. And, you know, as we've always said, we continue to work hard when things like this take a small dip, to have our cost and productivity initiatives offset it. That—we went halfway to doing that in this quarter, but we look at it over the long term, we're seriously not concerned at all about this modest, slight, temporary decline in margin.

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PATRICIA BAKER: Okay excellent. Can you talk a little bit about what the deflation trend might have been coming out of the quarter, because it accelerated in the fourth quarter versus the third quarter?

BILL MCEWAN: Yes.

PATRICIA BAKER: Which you had indicated to us we could expect, but—

BILL MCEWAN: Well, actually, we expected to be coming out of the first quarter—or we expected that we would be out of the first quarter with probably a more positive deflationary trend than we're going to see.

PATRICIA BAKER: Okay.

BILL MCEWAN: Deflation in the fourth quarter was more severe than we anticipated, and we think it's going to be a slower climb back to either no inflation or modest inflation than we had originally anticipated. How much slower, Patricia, we're not sure, but clearly the 2 percent in the fourth quarter was about a 0.5 percent—well it's 0.5 percent worse than the prior quarter, and about 0.5 to 0.75 of a percent higher than our expectations.

PATRICIA BAKER: Okay, that's incredibly informative. I thank you very much.

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OPERATOR: Your next question comes from the line of Jim Durran from National Bank Financial. Your line is now open.

JIM DURRAN: Guys, just following up on the same track, can you just give us a sense of what happened with traffic and average basket? And as far as the deflation is concerned, like, what are the key contributors to that, having ramped up versus last quarter?

BILL MCEWAN: Well, the issues on traffic versus transaction count are contributing to our same-store sales and our overall sales, the basket size grew at twice the rate of traffic count, so more of it came from the size of our baskets than our traffic counts, for sure, in this recent quarter. That's a slight change from before, but not dramatic.

And your other part of your question was...

JIM DURRAN: Just with respect to the—

BILL MCEWAN: Oh, the deflation?

JIM DURRAN: The deflation, was it...

BILL MCEWAN: Yes, I would say it was a combination of what I mentioned to Patricia. Some of it was promotional activity reaction, which I don't call as much deflation as disinflation created by protecting some competitive turf, it's just part of the ebb and flow of the business, and just not the kind of recovery that we anticipated about four or five months ago;

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nothing more severe than that. We think we're going to climb out of this deflationary mode into something like no deflation in the next two or three quarters, but again, we're not sure. Still—we've been reasonably accurate in our forecasts, but just a little bit off the mark in this last quarter from what we anticipated.

JIM DURRAN: Your forecasts are probably better than mine these days.

BILL MCEWAN: Well, that's one of those. Francois says, "If your crystal ball's better than our crystal ball, use it."

JIM DURRAN: Just if I can just sort of pursue this a little bit further, so you're saying that you think that deflation is going to be a little tougher to turn into inflation. Is that a stubbornness on the part of the consumer to trade up, you know, versus price competition? How does that balance work?

BILL MCEWAN: No, I don't think it's a consumer-driven issue at all, quite frankly. There's been no discernible change in consumer behaviour in terms of a flight to something of more value. There has been some additional promotional activity, and again it's not dramatic, but it contributed to some additional margin investment. In general, as we've said, we're just not going to give an inch when it comes to our competitive

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position. And on a temporary basis, sometimes that takes 10 or 20 basis points of margin, and that's all you're seeing here. Really, I hope you hear from me it's not—we're not concerned about it. We continue to be pleased with our mix. There's no discernible change in consumer behaviour, and it's just the rate of recovery from what has been, you know, two or three quarters of deflation, just a slightly different pattern than we've been used to managing. And we expect it's going to recover, but just we would say, as we've said before, a slower than we had originally anticipated.

JIM DURRAN: Okay, if we can just shift over to residential housing since it had such a strong quarter. We talked about this last quarter; there was some concern about structural issues at Gemstar that needed to be corrected. Is the demand now just so strong that they've been able to catch up, and do you see this as, at least, sustainable?

PAUL SOBEY: I think the—number one, when we talked about it last time, you know, we never anticipated that the Canadian housing market would strengthen or remain as robust as it has. And certainly, in the US, it's just the opposite story, even still, to this day. So that performance was better than we anticipated, and I guess looking forward, it should remain on an annualized basis, based on what we see, with a

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consistent number that we've earned last year, you know, plus or minus a little bit. But it should be consistent with our annual performance.

JIM DURRAN: And last thing, just did you increase your ownership of Gemstar?

PAUL SOBEY: Yes, we did. We increased it by 5 percent back in—when was that, January?

JIM DURRAN: In January?

UNIDENTIFIED SPEAKER: In January.

PAUL SOBEY: In January.

JIM DURRAN: And what's the thinking there, just to want a greater share of that growth?

PAUL SOBEY: Well, it was part of a—we bought an interest from the management group as part of their own tax planning and put an earnings basis in there, and they still have a significant investment in the company themselves.

JIM DURRAN: Great. Thanks, Paul.

PAUL SOBEY: Yes.

OPERATOR: Your next question comes from the line of Peter Sklar from BMO Capital. Your line is open.

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PETER SKLAR: Hi, Bill. We recently visited one of your FreshCo formats, and we noticed that you're channelling your customers through the fresh as they come into the store. I just wondered if you can talk a little bit—is that the strategy, and how consumers are receiving that, and if you're getting any backlash at all because they want quicker access to other grocery aspects?

BILL MCEWAN: Yes, it's been interesting. Clearly, that's one of the more significant physical changes in that concept versus the operations we had before. And, you know, we call it "a flow"; we have more of a forced flow, and you call it "channelling." I would suggest to you that it's been a long time since I've heard such overwhelming positive consumer reaction to a format, and that although there might be some concern with respect to that forced flow, they're so insignificant as not to mention. And I'll put it this way. We have done—we did research ahead of time. We listened very intently for the first two or three weeks of opening, and we've been back in the market to check with the consumer to see what they think about the concept. And they have validated that they love the format. They love the flow. They love the international aisle. They love the way the meat is set out. They like the produce, the fact they get to shop the whole occasion.

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So yes, you can count on it continuing. If we had had a significant pushback from customers, we'd be forced to react to that. But the fact that we're not changing it suggests that the consumers are quite satisfied with it. Quite satisfied.

PETER SKLAR: And if we were to price a basket in a FreshCo, how would that compare to a same basket at Price Chopper?

BILL MCEWAN: It's as low or lower as any of the discount competitors in the marketplace, period, whether that happens to be a PriceCo that's in a different—a Price Chopper in a different market, or our competitors' formats at Food Basics, No Frills, or Wal-Mart. It just is 100 percent, no question about it, we'll be at the same price or lower across the board, period.

PETER SKLAR: Okay. And just one other question I want to ask you about. I'm sure you're aware that Loblaw announced they're expanding their No Frills in Atlantic Canada. I believe they had one prior to this and they're opening some additional stores. Has that caused you to revisit your competitive position or business plan in Atlantic Canada?

BILL MCEWEN: Absolutely not. As a matter of fact, we're very pleased with the performance of our Atlantic operations. The team's done a great job to grow the business in a very balanced way across all

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channels. We are aware of that change, we are prepared for it, and we are not concerned, period. That will not knock us off our strategy in any way, shape, or form. We will protect our competitive price position, and it's just another modification, competitively, that we are completely equipped to deal with, and we are not concerned.

PETER SKLAR: Thank you for your comments.

OPERATOR: Once again, if you would like to ask a question, please press star, one on your telephone keypad. Your next question comes from the line of Keith Howlett from Desjardins Securities. Your line is open.

KEITH HOWLETT: Yes, I had some questions on the FreshCo. Very impressive renovations. I was wondering what the cost of a renovation is, roughly speaking, per store, and how long the stores are closed for, for renovations?

BILL MCEWAN: Well, I'll answer the second part of the question because the first part of the question, as per our normal reaction, we don't talk about the individual performance of a banner or a format at the specific capital cost. Suffice it to say on the capital cost that we are very comfortable with the performance that we will get a strong return on capital for the investment in the FreshCo format. So I'll answer it that way.

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The second piece that you referred to is the closure of the stores. They are about a seven- to eight-week renovation cycle for the store. The stores remain open for seven of those eight weeks, then we're closing them for between six and seven days prior to launching the new brand. Clearly, we did that the first time. I think we wanted to surprise and delight the marketplace, and we were successful with that. It may not be necessary to close them for as long in subsequent conversions. But for the ones that we have opened, they were six to seven days. For the ones going forward, we anticipate they will be a few days less than that each time.

KEITH HOWLETT: In terms of the number of items in the store, how does that compare to a Price Chopper?

BILL MCEWAN: Well, it's less than a Price Chopper, but it's more than other ordinary price discount stores. What we did do is expand and consolidate and, I think, merchandise very effectively the multicultural ethnic range. We included some additional produce SKUs, generally around the multicultural dimension. We've got a great assortment of assembled local bakery products from a variety of local bakeries, and our meat assortment includes ranges that aren't traditionally found in ordinary discount stores, like triple-A beef and air-chilled chicken. And so, there

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have been modest increases in item count as a result of that. It's not dramatic, but it's significant enough to be called a differentiator.

KEITH HOWLETT: So it's mostly a shift amongst the categories as opposed to a reduction? Is that more—

BILL MCEWAN: Well, what we're saying is we want to—make no mistake about it. The whole concept is—and we call it “discount done right”—is just a fresher, better, cleaner, more contemporary shopping environment that's tailored to the local markets where we do business, and cheaper. Make no mistake about it, the price entry points and the cost of doing business and establishing yourself in a discount format is to ensure you're as low or lower than the competitors in the marketplace. However, what we also stepped back and said is, “You know, why does discount need to be such a compromise? Why can't we have a better shopping environment? Why can't we have better ethnic assortment? Why can't we have additional triple-A beef and increased bakery products?” So that's what it's all about. It's enhancing the offering without losing the price position as the primary motivator for people to visit a discount store.

KEITH HOWLETT: I guess I've been to a few of them. I didn't actually walk them to measure them, but what—are they typically about 25,000 to 30,000 feet? Is that—

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BILL MCEWAN: Yes, they're 25,000 to 35,000 square feet, some a little bigger, some a little smaller. But that's about right, Keith.

KEITH HOWLETT: And then just in terms of staffing, I've noticed a lot of personnel in the store. Is that sort of an opening sort of—is there a higher level of staff in the store for the first six or eight weeks, or is that something—

BILL MCEWAN: Well, we'll put it this way. We're very, very satisfied with the consumer reaction, and the consumer reaction manifested in more business and required more people to service that business day-to-day. I should note, though, that there have been not insignificant changes in, you know, the operating model of the store. We no longer have service delis in those stores. We had service delis with people behind the counter. Now, it's just self-service deli and self-serve meat. There's no meat cutting in any of the stores that we're opening under FreshCo.

So on a sustainable basis, we've reduced our labour and our operating costs by coming together with improved counter-ready options and self-serve options. If you look at the meat, the Mirabella packaging is a superior presentation of the meat offerings without the need to cut any of it in-store. So behind the scenes and on a sustainable basis, we've

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reduced the labour and the operating costs. But as a result of a very successful launch in these stores, you notice more people because that's what's necessary to transact the business.

KEITH HOWLETT: And then in terms of the 5 million expense, is that sort of the—is that store opening expense, or is that the personnel to design it and figure it out? Or what does the 5 million relate to?

BILL MCEWAN: No, we absorb the other costs associated with the (inaudible) and the concept, but it's the write-downs—some asset write-downs—

UNIDENTIFIED SPEAKER: And cost reduced the launch also?

UNIDENTIFIED SPEAKER: Yes, so you're going to see that (unintelligible) the highest level. I would say you're going see (unintelligible) part of that for the next two quarters also.

UNIDENTIFIED SPEAKER: Right.

UNIDENTIFIED SPEAKER: And if any related to some asset write-off and some realignment that has to be done.

KEITH HOWLETT: Great. Well, I have to say the store is very impressive.

BILL MCEWAN: Yes, I appreciate that.

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KEITH HOWLETT: Just in terms of the overall business, what is the—do you have the—have you set out your capital budget for the year?

UNIDENTIFIED SPEAKER: Yes, we do have them, and we're (inaudible) for next year, including everything we're going to need for FreshCo, which will be in the range of \$450 million per year, and we think that the FreshCo investment requires (inaudible) investment, also.

KEITH HOWLETT: Great. And I just wonder if you could comment on the Ontario government generic drug reforms, how you—how much that will impact the business.

UNIDENTIFIED SPEAKER: For us, because, as you know, we have in-store pharmacies in Ontario, so our, I would say, "footprint" in Ontario on the pharmacy side is pretty limited, so the impact would be limited for us.

KEITH HOWLETT: Great, thanks very much.

OPERATOR: Your next question comes from the line of Mark Petrie from CIBC. Your line is now open.

UNIDENTIFIED SPEAKER: Hello?

MARK PETRIE: Oh, sorry about that. I'm wondering if you could just talk a little bit about the trend in SG&A. You had some nice control on that line in Q3, and it jumped up again a little bit in Q4. I'm just sort of

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wondering what the trend is there, and what we should be thinking about that for 2011.

BILL MCEWAN: Well, we said, I think, in the third quarter that we have continued improvement that we can make in SG&A through optimizing our costs and then in continuing to have the rollout of the productivity initiatives. We think it's onwards and upwards, steady improvement—not leaps and bounds, but incremental improvement from quarter-to-quarter, year-to-year. There may be, from time to time, slight bumps up, but there'll be a general, over the longer-term, mid- to longer-term, trend down in the SG&A costs for the company.

MARK PETRIE: You're talking about on a percentage of sales basis as opposed to a dollar basis?

BILL MCEWAN: That's correct.

MARK PETRIE: Okay, thanks.

OPERATOR: Your next question comes from the line of Jim Durran from National Bank Financial. Your line is open.

JIM DURRAN: Yes, just—you had an asset sale in the quarter; could you tell us what it was?

PAUL BEESLEY: Asset sale, are you referring to the eight properties?

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JIM DURRAN: There was 65 million in the cash flow statement. Is that related all to the Crombie sale?

PAUL BEESLEY: Stewart?

STEWART MAHONEY (Vice President Investor Relations and Treasury, Empire Company Ltd.): Yes, there were the sale of eight properties in the quarter. And basically, that went to Crombie REIT. The impact there is relatively neutral on a run rate basis, Jim, on the annual earnings because, even though we give up the NOI in ECL Developments, that we get it back to our share in Crombie REIT, 47.4 percent. And then we also benefit from interest expense reduction on the cash that came out of that, which was about 57 million.

PAUL SOBEY: And any gain on those transactions, as noted in the statements, is all deferred. I think our carrying costs on Crombie on our balance sheet now is down to, what, \$0.60 a share or something like that? So—

UNIDENTIFIED SPEAKER: Yes, it's about \$18 million for us.

PAUL SOBEY: It's just the way it works.

JIM DURRAN: Okay, that's fine. Your tax rate was quite low in the quarter. Can you give us an idea of what you think your tax rate might be for the whole new year coming up?

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PAUL BEESLEY: You know, we're thinking that the tax rate should be in the range of 29 percent per year.

JIM DURRAN: Okay. I guess, you know, just the last question; you've got quite a bit of cash. You just raised some debt. Can you just sort of walk us through what your sort of—your cash position and how you intend to manage it? I know you've increased the dividend, which, obviously, is part of the answer.

PAUL BEESLEY: So, yes, certainly. Jim, it's Paul. We saw an opportunity in the markets to borrow long-term money in the medium term (unintelligible) market at what we thought were very favourable rates. So we tapped into that market. What we said at the time that we issued that paper and we would restate today is that we did that for proceeds that will be used for general corporate purposes. Our intention, as we go forward, is to remain cash flow positive at the facilities level, and investing the free—the cash that we generate from operations back into our assets and our business. So we would expect to have a very healthy cash position going forward.

JIM DURRAN: And I don't know if you're prepared to or not, but can you give us some idea about your CAPEX spending plans for the new fiscal year?

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UNSPEAKER SPEAKER: Yes. And as I said previously, James, we should be in a range of 450 million for the year.

JIM DURRAN: Okay. And the square footage growth?

UNIDENTIFIED SPEAKER: Maybe around 2 percent (unintelligible).

UNIDENTIFIED SPEAKER: Approximately the same as this year.

JIM DURRAN: Okay great. Thank you.

OPERATOR: And there are no further questions at this time. I'll give the call back over to the leaders for any closing remarks.

PAUL BEESLEY: Okay, thank you very much, Mason. And thanks so much for your continued interest in Empire, and please join us for our first quarter call scheduled for September the 10th. Bye-bye.

OPERATOR: This does conclude today's conference call. You may now disconnect.

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