

News Release

EMPIRE
COMPANY LIMITED

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FOR IMMEDIATE RELEASE
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EMPIRE COMPANY POSTS Q4 RESULTS INCREASES DIVIDEND

Empire Company Limited (TSX: EMP.A) today announced financial results for its fourth quarter and fiscal year ended May 1, 2010. For the quarter, the Company recorded earnings before capital gains (losses) and other items of \$71.9 million (\$1.05 per share) compared to \$62.9 million (\$0.95 per share) in the fourth quarter last year. Net earnings for the fourth quarter were \$73.5 million (\$1.07 per share) compared to \$62.1 million (\$0.94 per share) recorded in the fourth quarter last year.

Fiscal 2010 earnings before capital gains (losses) and other items were \$284.5 million (\$4.15 per share) compared to \$261.7 million (\$3.97 per share) last year. Net earnings for fiscal 2010 were \$301.9 million (\$4.40 per share) compared to \$264.7 million (\$4.02 per share) recorded last year.

Fourth Quarter Highlights

- Revenue of \$3.84 billion, up \$127.8 million or 3.4 percent.
- Sobeys Inc. ("Sobeys") same-store sales increased 0.5 percent.
- Earnings before capital gains (losses) and other items of \$71.9 million (\$1.05 per share) compared to \$62.9 million (\$0.95 per share) last year.
- Capital gains (losses) and other items, net of tax, of \$1.6 million versus \$(0.8) million last year.
- Net earnings of \$73.5 million (\$1.07 per share) compared to \$62.1 million (\$0.94 per share) last year.
- Net debt to capital of 21.8 percent, down from 28.6 percent at the end of the last fiscal year.

Fiscal 2010 Highlights

- Revenue of \$15.52 billion, up \$501.1 million or 3.3 percent.
- Sobeys' same-store sales increased 1.9 percent.
- Earnings before capital gains (losses) and other items of \$284.5 million (\$4.15 per share) compared to \$261.7 million (\$3.97 per share) last year.
- Capital gains and other items, net of tax, of \$17.4 million versus \$3.0 million last year.
- Net earnings of \$301.9 million (\$4.40 per share) compared to \$264.7 million (\$4.02 per share) last year.
- Sobeys' net operating earnings increased 12.5 percent.

Note: Empire had a diluted weighted average number of shares outstanding of 68.5 million for the fiscal year ended May 1, 2010 compared to 65.8 million in the prior fiscal year as a result of an equity issue completed on April 24, 2009. The diluted weighted average number of shares outstanding in the fourth quarter was 68.5 million compared to 66.0 million in the fourth quarter last year.

Paul Sobey, President and CEO stated, "Empire's operating earnings and enterprise value continued to strengthen in our fourth quarter reflecting the continued solid performance of our food retailing and real estate businesses. We were particularly pleased with the strong fourth quarter performance from our residential real estate operations."

“Fiscal 2010 operating earnings of \$284.5 million or \$4.15 per share increased 8.7 percent over last year and we ended the year in a much stronger financial position, largely as a result of increased free cash flow from Sobeys. On behalf of Management and our Board, we would like to thank our employees, franchises and affiliates for their hard work and dedication, as their efforts have allowed us to deliver another year of record operating earnings performance as well as improved financial position.”

Paul Sobey continued, “Consistent with our growth and our confidence in the strength of our businesses, we are pleased to announce an increase in Empire’s dividend per share, from 74 cents annually to 80 cents annually. This marks the fifteenth consecutive year of dividend increases.”

Dividend Declaration

The Board of Directors declared a quarterly dividend of 20.0 cents per share on both the Non-Voting Class A shares and the Class B common shares that will be payable on July 30, 2010 to shareholders of record on July 15, 2010. The Board also declared regular dividends on the Company’s outstanding preferred shares. The dividends are eligible dividends as defined for the purposes of the Income Tax Act (Canada) and applicable provincial legislation and, therefore, qualify for the favourable tax treatment applicable to such dividends.

CONSOLIDATED FINANCIAL OVERVIEW

Revenue

Consolidated revenue for the fourth quarter of fiscal 2010 was \$3.84 billion compared to \$3.71 billion for the same quarter last year, an increase of \$127.8 million or 3.4 percent. Sobeys’ revenue equalled \$3.75 billion versus \$3.65 billion in the fourth quarter last year, an increase of \$103.5 million or 2.8 percent. Sobeys’ fourth quarter same-store sales increased 0.5 percent over the same quarter last year.

Real estate revenue in the fourth quarter was \$32.8 million, an increase of \$21.1 million from the \$11.7 million recorded in the fourth quarter last year. Residential property revenue increased by \$20.9 million while commercial property revenue increased by \$0.2 million from the fourth quarter last year.

Investments and other operations reported revenue of \$52.3 million in the fourth quarter of fiscal 2010 compared to \$47.1 million in the fourth quarter of last year, an increase of \$5.2 million.

For the 52 weeks ended May 1, 2010, consolidated revenue equalled \$15.52 billion, an increase of \$501.1 million or 3.3 percent compared to fiscal 2009. Sobeys’ sales increased by \$478.2 million, real estate division revenue increased by \$6.7 million and revenue from investments and other operations increased by \$22.9 million over the prior fiscal year.

Operating Income

Consolidated operating income in the fourth quarter was \$118.5 million, an increase of \$9.2 million or 8.4 percent from the \$109.3 million recorded in the fourth quarter last year.

The contributors to the change in consolidated operating income from the fourth quarter last year are as follows:

- (i) Sobeys' operating income contribution to Empire in the fourth quarter totalled \$98.4 million, a decrease of \$1.9 million or 1.9 percent from the \$100.3 million recorded in the fourth quarter last year.
- (ii) Residential property operating income contribution in the fourth quarter was \$14.8 million, an increase of \$11.0 million from the \$3.8 million recorded in the fourth quarter last year.
- (iii) Commercial property (including Crombie REIT) operating income for the quarter was \$4.0 million compared to \$4.9 million in the fourth quarter last fiscal year, a decrease of \$0.9 million. Crombie REIT contributed \$4.4 million to operating income in the fourth quarter versus a \$4.9 million contribution in the fourth quarter last year.
- (iv) Investments and other operations (net of corporate expenses) contributed operating income of \$1.3 million in the fourth quarter compared to \$0.3 million in the fourth quarter last year. Equity accounted earnings generated from the Company's 27.6 percent interest in Wajax Income Fund ("Wajax") amounted to \$2.3 million in the fourth quarter versus \$2.6 million in the fourth quarter last year. Operating income from other operations (net of corporate expenses) amounted to \$(1.0) million compared to \$(2.3) million in the fourth quarter last year.

For the full fiscal year, Empire recorded operating income of \$479.7 million, an increase of \$13.5 million or 2.9 percent from the prior year.

The contributors to the change in consolidated operating income from last fiscal year are as follows:

- (i) Sobeys' operating income contribution to Empire in fiscal 2010 totalled \$425.3 million, an increase of \$25.8 million or 6.5 percent from the \$399.5 million recorded last year.
- (ii) Residential property operating income contribution in fiscal 2010 was \$31.0 million, a decrease of \$2.6 million from the \$33.6 million recorded last year.
- (iii) Commercial property (including Crombie REIT) operating income in fiscal 2010 was \$19.8 million compared to \$22.3 million last year, a decrease of \$2.5 million. Crombie REIT contributed \$18.6 million to operating income in fiscal 2010 versus a \$19.8 million contribution last year.
- (iv) Investments and other operations (net of corporate expenses) contributed operating income of \$3.6 million in fiscal 2010 compared to \$10.8 million last fiscal year. Equity accounted earnings generated from the Company's 27.6 percent interest in Wajax amounted to \$9.2 million versus \$18.5 million last year. Operating income from other operations (net of corporate expenses) amounted to \$(5.6) million compared to \$(7.7) million last year.

The table below presents a summary of financial performance for the 13 and 52 weeks ended May 1, 2010 compared to the 13 and 52 weeks ended May 2, 2009.

Summary Table of Consolidated Financial Results

(\$ in millions, except per share information)	13 Weeks Ended		52 Weeks Ended	
	May 1, 2010	May 2, 2009 ⁽¹⁾	May 1, 2010	May 2, 2009 ⁽¹⁾
Segmented revenue				
Food retailing	\$ 3,754.9	\$ 3,651.4	\$ 15,243.0	\$ 14,764.8
Real estate				
Residential	29.0	8.1	63.3	54.6
Commercial	3.8	3.6	17.3	19.3
	32.8	11.7	80.6	73.9
Investments and other operations	52.3	47.1	202.2	179.3
	3,840.0	3,710.2	15,525.8	15,018.0
Elimination	(3.2)	(1.2)	(9.6)	(2.9)
	\$ 3,836.8	\$ 3,709.0	\$ 15,516.2	\$ 15,015.1
Segmented operating income				
Food retailing	\$ 98.4	\$ 100.3	\$ 425.3	\$ 399.5
Real estate				
Residential	14.8	3.8	31.0	33.6
Crombie REIT ⁽²⁾	4.4	4.9	18.6	19.8
Commercial	(0.4)	-	1.2	2.5
	18.8	8.7	50.8	55.9
Investments and other operations				
Wajax ⁽³⁾	2.3	2.6	9.2	18.5
Other investments and operations, net of corporate expenses	(1.0)	(2.3)	(5.6)	(7.7)
	1.3	0.3	3.6	10.8
	\$ 118.5	\$ 109.3	\$ 479.7	\$ 466.2
Earnings before capital gains (losses) and other items	\$ 71.9	\$ 62.9	\$ 284.5	\$ 261.7
Capital gains (losses) and other items, net of tax	1.6	(0.8)	17.4	3.0
Net earnings	\$ 73.5	\$ 62.1	\$ 301.9	\$ 264.7
Basic earnings per share				
Operating earnings	\$ 1.05	\$ 0.96	\$ 4.16	\$ 3.98
Capital gains (losses) and other items, net of tax	0.02	(0.01)	0.25	0.05
Net earnings	\$ 1.07	\$ 0.95	\$ 4.41	\$ 4.03
Basic weighted average number of shares outstanding (in millions) ⁽⁴⁾	68.4	65.9	68.4	65.7
Diluted earnings per share				
Operating earnings	\$ 1.05	\$ 0.95	\$ 4.15	\$ 3.97
Capital gains (losses) and other items, net of tax	0.02	(0.01)	0.25	0.05
Net earnings	\$ 1.07	\$ 0.94	\$ 4.40	\$ 4.02
Diluted weighted average number of shares outstanding (in millions) ⁽⁴⁾	68.5	66.0	68.5	65.8
Annualized dividends per share	\$ 0.74	\$ 0.70		

⁽¹⁾ Amounts have been restated as a result of a change in accounting policy and a reclassification with respect to goodwill and intangible assets. Please refer to note 1 of the unaudited consolidated financial statements for the fourth quarter ended May 1, 2010.

⁽²⁾ 47.4 percent equity accounted interest in Crombie REIT.

⁽³⁾ 27.6 percent equity accounted interest in Wajax.

⁽⁴⁾ The increase in the weighted average number of shares outstanding reflects an equity issue completed on April 24, 2009 which resulted in a total of 2,713,000 shares being issued.

Additional segmented information is contained in note 12 of the unaudited consolidated financial statements for the fourth quarter of fiscal 2010 included in this release.

Interest Expense

Interest expense in the fourth quarter amounted to \$18.2 million, a decrease of \$0.6 million or 3.2 percent from the \$18.8 million recorded in the fourth quarter last year. For the 52 weeks ended May 1, 2010, interest expense amounted to \$72.5 million, a decrease of \$8.1 million or 10.0 percent from the prior year.

The decline in interest expense largely reflects lower funded debt levels which are principally related to the equity issue completed in April 2009 as well as free cash flow generated by Sobeys which was used in part to reduce funded debt.

Consolidated funded debt was \$1,226.2 million at the end fiscal 2010 compared to \$1,302.9 million at the end of fiscal 2009, a \$76.7 million or 5.9 percent decrease.

Income Taxes

The effective income tax rate for the fourth quarter (excluding the impact of capital gains (losses) and other items) was 28.0 percent versus 29.6 percent in the fourth quarter last year. The effective income tax rate for fiscal 2010 (excluding the impact of capital gains (losses) and other items) was 28.8 percent versus 30.0 percent last year largely as a result of statutory income tax rate changes.

Earnings before Capital Gains (Losses) and Other Items

Empire recorded earnings before capital gains (losses) and other items in the fourth quarter of fiscal 2010 of \$71.9 million (\$1.05 per share) compared to \$62.9 million (\$0.95 per share) in the fourth quarter last year, a \$9.0 million or 14.3 percent increase.

For the 52 weeks ended May 1, 2010, earnings before capital gains (losses) and other items amounted to \$284.5 million (\$4.15 per share) compared to \$261.7 million (\$3.97 per share) in the prior fiscal year, a \$22.8 million or 8.7 percent increase.

The following table presents Empire's segmented earnings before capital gains (losses) and other items by division for the 13 and 52 weeks ended May 1, 2010 compared to the 13 and 52 weeks ended May 2, 2009.

(\$ in millions)	13 Weeks Ended			52 Weeks Ended		
	May 1, 2010	May 2, 2009 ⁽¹⁾	(\$) Change	May 1, 2010	May 2, 2009 ⁽¹⁾	(\$) Change
Food retailing ⁽²⁾	\$ 59.4	\$ 59.8	\$ (0.4)	\$ 256.1	\$ 227.9	\$ 28.2
Real estate	13.5	5.7	7.8	34.4	36.7	(2.3)
Investments & other operations	(1.0)	(2.6)	1.6	(6.0)	(2.9)	(3.1)
Consolidated	\$ 71.9	\$ 62.9	\$ 9.0	\$ 284.5	\$ 261.7	\$ 22.8

(1) Amounts have been restated as a result of a change in accounting policy and a reclassification with respect to goodwill and intangible assets. Please refer to note 1 of the unaudited consolidated financial statements for the fourth quarter ended May 1, 2010.

(2) Adjusted for the impact of depreciation and amortization related to the privatization of Sobeys in June 2007.

Capital Gains (Losses) and Other Items

The Company recorded capital gains (losses) and other items, net of tax, of \$1.6 million in the fourth quarter compared to \$(0.8) million in the fourth quarter last year. In fiscal 2010, the Company recorded capital gains (losses) and other items, net of tax, of \$17.4 million compared to \$3.0 million last year. The capital gains and other items, net of tax, in fiscal 2010, was primarily the result of a \$17.0 million tax settlement related to the fiscal 2001 sale of shares in Hannaford Bros. Co.

The table below presents capital gains (losses) and other items, net of tax, for the 13 and 52 weeks ended May 1, 2010 compared to the 13 and 52 weeks ended May 2, 2009.

(\$ in millions)	13 Weeks Ended			52 Weeks Ended		
	May 1, 2010	May 2, 2009	(\$) Change	May 1, 2010	May 2, 2009	(\$) Change
Equity share of Crombie REIT's other expenses	\$ -	\$ -	\$ -	\$ (3.1)	\$ -	\$ (3.1)
Change in fair value of Canadian third-party asset-backed commercial paper	1.8	-	1.8	2.9	(3.1)	6.0
Gain (loss) on sale of investment	(0.2)	-	(0.2)	(0.2)	-	(0.2)
Gain (loss) on sale of properties	-	(0.6)	0.6	0.1	6.9	(6.8)
Foreign exchange gains (losses)	-	(0.2)	0.2	0.7	(0.8)	1.5
Tax recovery related to sale of shares in Hannaford Bros. Co.	-	-	-	17.0	-	17.0
	\$ 1.6	\$ (0.8)	\$ 2.4	\$ 17.4	\$ 3.0	\$ 14.4

Net Earnings

Consolidated net earnings in the fourth quarter of fiscal 2010 equalled \$73.5 million (\$1.07 per share) compared to \$62.1 million (\$0.94 per share) in the fourth quarter last year. The increase in fourth quarter net earnings of \$11.4 million or 18.4 percent is attributed to the \$9.0 million increase in earnings before capital gains (losses) and other items and the \$2.4 million increase in capital gains (losses) and other items, net of tax, as mentioned. Net earnings for the 52 weeks ended May 1, 2010 totalled \$301.9 million (\$4.40 per share) compared to \$264.7 million (\$4.02 per share) recorded last year, an increase of \$37.2 million or 14.1 percent.

The following table presents Empire's segmented net earnings for the 13 and 52 weeks ended May 1, 2010 compared to the 13 and 52 weeks ended May 2, 2009.

(\$ in millions)	13 Weeks Ended			52 Weeks Ended		
	May 1, 2010	May 2, 2009 ⁽¹⁾	(\$) Change	May 1, 2010	May 2, 2009 ⁽¹⁾	(\$) Change
Food retailing ⁽²⁾	\$ 61.2	\$ 59.8	\$ 1.4	\$ 259.0	\$ 224.8	\$ 34.2
Real estate	13.5	5.0	8.5	31.3	42.6	(11.3)
Investments & other operations	(1.2)	(2.7)	1.5	11.6	(2.7)	14.3
Consolidated	\$ 73.5	\$ 62.1	\$ 11.4	\$ 301.9	\$ 264.7	\$ 37.2

(1) Amounts have been restated as a result of a change in accounting policy and a reclassification with respect to goodwill and intangible assets. Please refer to note 1 of the unaudited consolidated financial statements for the fourth quarter ended May 1, 2010.

(2) Adjusted for the impact of depreciation and amortization related to the privatization of Sobeys in June 2007.

QUARTERLY RESULTS OF OPERATIONS

The following table is a summary of selected consolidated financial information derived from the Company's unaudited interim period consolidated financial statements.

	Fiscal 2010				Fiscal 2009 ⁽¹⁾			
	Q4 (13 Weeks) May 1, 2010	Q3 (13 Weeks) Jan. 30, 2010	Q2 (13 Weeks) Oct. 31, 2009	Q1 (13 Weeks) Aug. 1, 2009	Q4 (13 Weeks) May 2, 2009	Q3 (13 Weeks) Jan. 31, 2009	Q2 (13 Weeks) Nov. 1, 2008	Q1 (13 Weeks) Aug. 2, 2008
(\$ in millions, except per share information)								
Revenue	\$ 3,836.8	\$ 3,836.2	\$ 3,874.7	\$ 3,968.5	\$ 3,709.0	\$ 3,800.0	\$ 3,727.9	\$ 3,778.2
Operating income	118.5	110.3	120.7	130.2	109.3	115.3	113.3	128.3
Operating earnings ⁽²⁾	71.9	68.3	72.1	72.2	62.9	64.8	63.1	70.9
Capital gains (losses) and other items, net of tax	1.6	-	(1.7)	17.5	(0.8)	(3.5)	2.5	4.8
Net earnings	\$ 73.5	\$ 68.3	\$ 70.4	\$ 89.7	\$ 62.1	\$ 61.3	\$ 65.6	\$ 75.7
Per share information, basic								
Operating earnings	\$ 1.05	\$ 1.00	\$ 1.06	\$ 1.05	\$ 0.96	\$ 0.99	\$ 0.96	\$ 1.08
Capital gains (losses) and other items, net of tax	0.02	-	(0.03)	0.26	(0.01)	(0.05)	0.04	0.07
Net earnings	\$ 1.07	\$ 1.00	\$ 1.03	\$ 1.31	\$ 0.95	\$ 0.94	\$ 1.00	\$ 1.15
Basic weighted average number of shares outstanding (in millions) ⁽³⁾	68.4	68.4	68.4	68.4	65.9	65.6	65.6	65.6
Per share information, diluted								
Operating earnings	\$ 1.05	\$ 0.99	\$ 1.06	\$ 1.05	\$ 0.95	\$ 0.98	\$ 0.96	\$ 1.08
Capital gains (losses) and other items, net of tax	0.02	-	(0.03)	0.26	(0.01)	(0.05)	0.04	0.07
Net earnings	\$ 1.07	\$ 0.99	\$ 1.03	\$ 1.31	\$ 0.94	\$ 0.93	\$ 1.00	\$ 1.15
Diluted weighted average number of shares outstanding (in millions) ⁽³⁾	68.5	68.5	68.5	68.5	66.0	65.7	65.7	65.7

(1) Amounts have been restated as a result of a change in accounting policy and a reclassification with respect to goodwill and intangible assets. Please refer to note 1 of the unaudited consolidated financial statements for the fourth quarter ended May 1, 2010.

(2) Operating earnings is earnings before capital gains (losses) and other items.

(3) The increase in the weighted average number of shares outstanding in fiscal 2010 reflects an equity issue completed on April 24, 2009 which resulted in a total of 2,713,000 shares being issued.

Consolidated sales and operating earnings growth have been influenced by the Company's investing activities, the competitive environment, food price inflationary and general industry trends, the cyclicity of both residential and commercial real estate and by other risk factors as outlined in the fiscal 2009 annual MD&A, as contained on pages 23 - 60 of the Company's 2009 Annual Report.

The Company does experience some seasonality, as evidenced in the results presented above, in particular, during the summer months and over holidays.

OPERATING PERFORMANCE BY DIVISION

FOOD RETAILING

Sobeys, a wholly-owned subsidiary, conducts business through more than 1,300 retail grocery stores (corporately owned and franchised) which operate in every province across Canada under retail banners that include Sobeys, IGA *extra*, IGA, Price Chopper, Foodland, Thrifty Foods, and FreshCo.

The table below presents Sobeys' contribution to Empire's consolidated revenue, operating income, capital gains (losses) and other items, net of tax, and net earnings:

(\$ in millions)	13 Weeks Ended		Year-over-Year		52 Weeks Ended		Year-over-Year	
	May 1, 2010	May 2, 2009 ⁽¹⁾	(\$) Change	(%) Change	May 1, 2010	May 2, 2009 ⁽¹⁾	(\$) Change	(%) Change
Sales	\$ 3,754.9	\$ 3,651.4	\$ 103.5	2.8%	\$ 15,243.0	\$ 14,764.8	\$ 478.2	3.2%
Operating income ⁽²⁾	98.4	100.3	(1.9)	(1.9%)	425.3	399.5	25.8	6.5%
Capital gains (losses) and other items, net of tax	1.8	-	1.8	-	2.9	(3.1)	6.0	193.5%
Net earnings ⁽²⁾	61.2	59.8	1.4	2.3%	259.0	224.8	34.2	15.2%

(1) Amounts have been restated as a result of a change in accounting policy and a reclassification with respect to goodwill and intangible assets. Please refer to note 1 of the unaudited consolidated financial statements for the fourth quarter ended May 1, 2010.

(2) Adjusted for the impact of depreciation and amortization related to the privatization of Sobeys in June 2007.

Sales

Food retailing division sales for the fourth quarter of fiscal 2010 were \$3.75 billion compared to \$3.65 billion for the same quarter last year, an increase of \$103.5 million or 2.8 percent. During the fourth quarter of fiscal 2010, Sobeys' same-store sales increased by 0.5 percent. In the fourth quarter, Sobeys experienced retail food price deflation, which partially offset the effect of increased retail selling square footage, the continued implementation of sales and merchandising initiatives, improved consistency of store level execution and product and services innovation.

For the 52 weeks ended May 1, 2010, food retailing division sales were \$15.24 billion compared to \$14.76 billion in the prior fiscal year, an increase of \$478.2 million or 3.2 percent. During fiscal 2010, Sobeys' same-store sales increased by 1.9 percent.

Operating Income

Sobeys reported operating income of \$100.0 million during the fourth quarter of fiscal 2010, a \$1.1 million or 1.1 percent decrease from the fourth quarter last year. Operating income margin in the fourth quarter equalled 2.66 percent versus 2.77 percent in the same quarter last year. Included in Sobeys' operating income in the fourth quarter was approximately \$5.0 million in costs related to the launch of the FreshCo discount banner and the rebannered of eight stores in Mississauga and Brampton, Ontario.

After adjusting for the impact of the depreciation and amortization related to the privatization, Sobeys' operating income contribution to Empire in the fourth quarter of fiscal 2010 was \$98.4 million (fourth quarter of fiscal 2009 - \$100.3 million). Sobeys' operating income margin in the fourth quarter after adjusting for the above items equalled 2.62 percent compared to 2.75 percent in the fourth quarter of fiscal 2009.

For the 52 weeks ended May 1, 2010, Sobeys reported operating income of \$430.8 million, a \$26.6 million or 6.6 percent increase from the prior fiscal year. Operating income margin for fiscal 2010 equalled 2.83 percent compared to 2.74 percent in fiscal 2009.

After adjusting for the impact of the depreciation and amortization related to the privatization, Sobeys' operating income contribution to Empire for fiscal 2010 was \$425.3 million (fiscal 2009 - \$399.5 million). Sobeys' operating income margin for fiscal 2010, after adjusting for the above items, equalled 2.79 percent compared to 2.71 percent in fiscal 2009.

Net Earnings

Sobeys reported fourth quarter net earnings of \$62.3 million, an increase of \$2.0 million or 3.3 percent compared to the \$60.3 million recorded in the fourth quarter last year. Net earnings for fiscal 2010 were \$262.8 million, an increase of \$34.8 million or 15.3 percent compared to the \$228.0 million recorded in fiscal 2009.

After adjusting for the impact of the depreciation and amortization related to the privatization and the related tax impact, Sobeys contributed net earnings of \$61.2 million to Empire for the fourth quarter of fiscal 2010, an increase of \$1.4 million or 2.3 percent over the \$59.8 million recorded in the same period last year. In fiscal 2010, Sobeys contributed net earnings of \$259.0 million to Empire, an increase of \$34.2 million or 15.2 percent over the \$224.8 million recorded in the prior fiscal year.

REAL ESTATE

Empire's real estate operations are primarily focused on (i) ownership of retail and office properties through a 47.4 percent ownership interest in Crombie REIT and (ii) residential land development through an ownership interest in Genstar, which operates principally in Ontario and Western Canada.

It should be noted that revenue, operating income and earnings recorded in the fourth quarter and for the fiscal year ended May 1, 2010 were positively impacted by an increase in the ownership interest in Genstar, from 35.7 percent last fiscal year to 40.7 percent in the third quarter of fiscal 2010.

Revenue

Real estate division revenue amounted to \$32.8 million for the fourth quarter ended May 1, 2010, a \$21.1 million increase from the fourth quarter last year. Revenue for fiscal 2010 amounted to \$80.6 million, a \$6.7 million or 9.1 percent increase from fiscal 2009. The increase is attributed to higher revenue from residential operations.

Operating Income

Fourth quarter real estate division operating income was \$18.8 million versus \$8.7 million in the same quarter last year. The \$10.1 million increase in real estate division operating income was largely the result of an \$11.0 million increase in residential operating income due to higher sales activity. Empire's 47.4 percent interest in Crombie REIT contributed operating income of \$4.4 million which was \$0.5 million below the fourth quarter last year. Other commercial operating income decreased by \$0.4 million in the fourth quarter of fiscal 2010 compared to the same quarter last year.

For the 52 weeks ended May 1, 2010, real estate division operating income was \$50.8 million versus \$55.9 million in the same quarter last year. The \$5.1 million decrease in real estate division operating income was largely the result of a \$2.6 million decline in residential operating income due to lower margins on residential lot sales and a \$1.2 million decline in operating income contribution from Empire's investment in Crombie REIT. Other commercial operating income decreased by \$1.3 million in fiscal 2010 compared to last year.

The table below presents revenue, operating income, net earnings and funds from operations for the real estate division's commercial and residential operations:

(\$ in millions)	13 Weeks Ended			52 Weeks Ended		
	May 1, 2010	May 2, 2009	Change (\$)	May 1, 2010	May 2, 2009	Change (\$)
Revenue						
Residential	\$ 29.0	\$ 8.1	\$ 20.9	\$ 63.3	\$ 54.6	\$ 8.7
Commercial	3.8	3.6	0.2	17.3	19.3	(2.0)
	\$ 32.8	\$ 11.7	\$ 21.1	\$ 80.6	\$ 73.9	\$ 6.7
Operating income						
Residential	\$ 14.8	\$ 3.8	\$ 11.0	\$ 31.0	\$ 33.6	\$ (2.6)
Crombie REIT ⁽¹⁾	4.4	4.9	(0.5)	18.6	19.8	(1.2)
Commercial	(0.4)	-	(0.4)	1.2	2.5	(1.3)
	\$ 18.8	\$ 8.7	\$ 10.1	\$ 50.8	\$ 55.9	\$ (5.1)
Net earnings						
Residential operating earnings	\$ 10.6	\$ 2.7	\$ 7.9	\$ 21.8	\$ 23.3	\$ (1.5)
Commercial operating earnings	2.9	3.0	(0.1)	12.6	13.4	(0.8)
Capital gains (losses), net of tax	-	(0.7)	0.7	(3.1)	5.9	(9.0)
	\$ 13.5	\$ 5.0	\$ 8.5	\$ 31.3	\$ 42.6	\$ (11.3)
Funds from operations ⁽²⁾						
Residential	\$ 10.6	\$ 2.7	\$ 7.9	\$ 21.8	\$ 23.2	\$ (1.4)
Commercial	3.2	2.7	0.5	13.9	15.3	(1.4)
	\$ 13.8	\$ 5.4	\$ 8.4	\$ 35.7	\$ 38.5	\$ (2.8)

(1) Equity accounted earnings in Crombie REIT during the period.

(2) Operating earnings plus depreciation and amortization.

Net Earnings

Real estate division net earnings contribution in the fourth quarter amounted to \$13.5 million compared to \$5.0 million last year, an \$8.5 million increase. The earnings increase is the result of a \$10.1 million increase in operating income, a \$0.7 million increase in net capital gains (losses) and partially offset by a \$2.3 million increase in income taxes.

In fiscal 2010, real estate division net earnings contribution to Empire was \$31.3 million compared to \$42.6 million last year, an \$11.3 million decrease. The earnings decline is largely the result of a \$5.1 million decrease in operating income and a \$9.0 million decrease in net capital gains (losses), partially offset by a \$2.6 million reduction in income tax expense.

Funds from Operations

Funds from operations in the fourth quarter of \$13.8 million increased \$8.4 million compared to the fourth quarter of last year largely due to the increase in residential real estate operating income. Trailing (last four quarters) funds from operations for the real estate division were \$35.7 million, a decrease of \$2.8 million from the trailing (last four quarters) funds from operations of \$38.5 million last year.

INVESTMENTS AND OTHER OPERATIONS

Empire's investments and other operations consists primarily of a 27.6 percent ownership interest in Wajax and wholly-owned Empire Theatres, the second largest movie exhibitor in Canada.

At May 1, 2010, Empire's investments, including equity accounted investments in Crombie REIT and Genstar U.S., consisted of:

(\$ in millions)	May 1, 2010			May 2, 2009		
	Market Value	Carrying Value	Unrealized Gain	Market Value	Carrying Value	Unrealized Gain
Investment in Crombie REIT units	\$ 341.3	\$ 8.4	\$ 332.9	\$ 175.6	\$ (19.7)	\$ 195.3
Investment in Wajax	117.9	30.8	87.1	71.3	31.0	40.3
Investment in Genstar U.S. ⁽¹⁾	17.6	17.6	-	7.5	7.5	-
Other investments ⁽¹⁾⁽²⁾	10.9	10.9	-	1.1	1.1	-
	\$ 487.7	\$ 67.7	\$ 420.0	\$ 255.5	\$ 19.9	\$ 235.6

(1) Assumes market value equals book value.

(2) Fiscal 2010 includes a \$10.7 million Crombie REIT convertible unsecured subordinated debenture.

The table below presents investments and other operations' (net of corporate expenses) financial highlights, excluding equity earnings from Crombie REIT and Genstar U.S., for the 13 and 52 weeks ended May 1, 2010 compared to the same period last year:

(\$ in millions)	13 Weeks Ended			52 Weeks Ended		
	May 1, 2010	May 2, 2009	(\$) Change	May 1, 2010	May 2, 2009	(\$) Change
Revenue	\$ 52.3	\$ 47.1	\$ 5.2	\$ 202.2	\$ 179.3	\$ 22.9
Operating income						
Wajax	2.3	2.6	(0.3)	9.2	18.5	(9.3)
Other operations, net of corporate expenses	(1.0)	(2.3)	1.3	(5.6)	(7.7)	2.1
Total operating income	1.3	0.3	1.0	3.6	10.8	(7.2)
Operating earnings	(1.0)	(2.6)	1.6	(6.0)	(2.9)	(3.1)
Capital gains (losses) and other items, net of tax ⁽¹⁾	(0.2)	(0.1)	(0.1)	17.6	0.2	17.4
Net earnings	\$ (1.2)	\$ (2.7)	\$ 1.5	\$ 11.6	\$ (2.7)	\$ 14.3

(1) Fiscal 2010 capital gains (losses) and other items, net of tax, includes \$17.0 million reflecting the settlement of a Canada Revenue Agency tax reassessment relating to the fiscal 2001 sale of Hannaford Bros. Co. shares.

Revenue

Investments and other operations' revenue, primarily generated by Empire Theatres, equalled \$52.3 million in the fourth quarter ended May 1, 2010 versus \$47.1 million in the fourth quarter last year, a \$5.2 million or 11.0 percent increase. Investments and other operations' revenue, primarily generated by Empire Theatres, equalled \$202.2 million for fiscal 2010 versus \$179.3 million last year, an increase of \$22.9 million or 12.8 percent. The increase in revenue in both fiscal 2010 and the fourth quarter was largely related to the stronger box office attendance recorded by Empire Theatres. Fiscal 2010 revenue growth was also positively impacted by an additional week of operations reported by Empire Theatres.

Operating Income

Investments and other operations (net of corporate expenses) contributed operating income of \$1.3 million compared to \$0.3 million in the fourth quarter last year. Equity accounted earnings generated from the Company's 27.6 percent interest in Wajax amounted to \$2.3 million in the fourth quarter versus \$2.6 million last year. Operating income from other operations (net of corporate expenses) improved to \$(1.0) million from \$(2.3) million in the fourth quarter last year.

Investment and other operations (net of corporate expenses) contributed operating income of \$3.6 million compared to \$10.8 million in the prior fiscal year; the decrease is primarily the result of lower equity accounted earnings generated from the Company's 27.6 percent interest in Wajax. The \$9.3 million reduction in Wajax equity accounted earnings (\$9.2 million versus \$18.5 million in fiscal 2009) was due to decreased market demand in all three of Wajax's operating segments as a result of the weakened economy. Operating income from other operations (net of corporate expenses) improved from \$(7.7) million to \$(5.6) million in fiscal 2010.

Net Earnings

Investments and other operations (net of corporate expenses) contributed \$(1.2) million to Empire's consolidated fourth quarter fiscal 2010 net earnings compared to a \$(2.7) million net earnings contribution in the fourth quarter last year. The improvement is largely attributed to the increase in operating income of \$1.0 million, as mentioned, along with a \$0.4 million reduction in interest expense.

Investments and other operations (net of corporate expenses) contributed \$11.6 million to Empire's consolidated fiscal 2010 net earnings compared to a \$(2.7) million net earnings contribution last year. Fiscal 2010 net earnings includes \$17.0 million reflecting the settlement of a Canada Revenue Agency tax reassessment relating to the fiscal 2001 sale of Hannaford Bros. Co. shares.

CONSOLIDATED FINANCIAL CONDITION

The Company's financial condition improved in fiscal 2010 as evidenced by the capital structure and key financial condition measures in the table below.

(\$ in millions, except per share and ratio calculations)	May 1, 2010	May 2, 2009 ⁽¹⁾	May 3, 2008 ⁽¹⁾
Shareholders' equity	\$ 2,952.4	\$ 2,678.8	\$ 2,378.8
Book value per share	\$ 43.07	\$ 39.07	\$ 36.08
Bank indebtedness	\$ 17.8	\$ 45.9	\$ 92.6
Long-term debt, including current portion ⁽²⁾	\$ 1,208.4	\$ 1,257.0	\$ 1,480.9
Funded debt to total capital	29.3%	32.7%	39.8%
Net debt to capital ratio ⁽³⁾	21.8%	28.6%	36.7%
Debt to EBITDA ⁽⁴⁾	1.50x	1.62x	2.02x
EBITDA to interest expense ⁽⁴⁾	11.30x	9.95x	7.35x
Total assets	\$ 6,248.3	\$ 5,891.1	\$ 5,729.4

(1) Amounts have been restated as a result of a change in accounting policy and a reclassification with respect to goodwill and intangible assets. Please refer to note 1 of the unaudited consolidated financial statements for the fourth quarter ended May 1, 2010.

(2) Includes liabilities related to assets held for sale.

(3) Net debt to capital is net debt divided by total capital net of cash and cash equivalents.

(4) Calculation uses trailing 12-month EBITDA and interest expense.

Consolidated funded debt decreased \$76.7 million in fiscal 2010 largely as a result of free cash flow generated by Sobeys which was used in part to reduce funded debt. The ratio of funded debt to total capital improved to 29.3 percent from 32.7 percent at the end of fiscal 2009. The 3.4 percentage point improvement is the result of lower funded debt levels and higher equity levels due to growth in retained earnings.

Empire's EBITDA to interest expense ratio in the fourth quarter was 11.3 times, an increase from the 10.0 times reported at the prior fiscal year-end. The increase over the same quarter last year is due to the reduction in funded debt which resulted in lower interest expense in fiscal 2010, as well as by an increase in trailing 12-month EBITDA to \$819.4 million from \$802.3 million a year earlier.

Liquidity and Capital Resources

The Company maintains the following sources of liquidity: (i) cash and cash equivalents on hand; (ii) unutilized bank credit facilities; and (iii) cash generated from operating activities. The Company anticipates that these sources of liquidity will be sufficient to meet expected cash outflows over the next year.

At May 1, 2010, consolidated cash and cash equivalents were \$401.0 million versus \$231.6 million at fiscal year-end, May 2, 2009.

At the end of the fourth quarter of fiscal 2010, on a non-consolidated basis, Empire maintained an authorized bank line for operating, general and corporate purposes of \$650 million, of which approximately \$298.5 million or 45.9 percent was utilized. On a consolidated basis, Empire's authorized bank credit facilities exceeded borrowings by approximately \$840 million at May 1, 2010.

Included in the current portion of long-term debt is \$379.4 million of debt outstanding that matures within the next 12 months. Empire's non-consolidated credit facility of \$650 million matured on June 8, 2010. Subsequent to fiscal year-end, on June 4, 2010, management has renewed its credit facility, reducing the authorized amount to \$450 million, for an additional three year term, to expire on June 30, 2013. The size of the facility was reduced due to the Company's strong cash generation and lower debt levels.

Empire and its subsidiaries have provided covenants to its lenders in support of various financing facilities. All covenants were complied with for the 52 weeks ended May 1, 2010 and May 2, 2009.

The table below highlights major cash flow components for the 13 and 52 weeks ended May 1, 2010 compared to the 13 and 52 weeks ended May 2, 2009.

Major Cash Flow Components

(\$ in millions)	13 Weeks Ended		52 Weeks Ended	
	May 1, 2010	May 2, 2009 ⁽¹⁾	May 1, 2010	May 2, 2009 ⁽¹⁾
Earnings for common shareholders	\$ 73.5	\$ 62.1	\$ 301.8	\$ 264.6
Items not affecting cash	72.8	103.0	358.0	352.9
	146.3	165.1	659.8	617.5
Net change in non-cash working capital	174.5	40.1	124.3	50.5
Cash flows from operating activities	320.8	205.2	784.1	668.0
Cash flows used in investing activities	(92.8)	(139.9)	(466.1)	(413.9)
Cash flows used in financing activities	(83.5)	(58.0)	(148.6)	(213.9)
Increase in cash and cash equivalents	\$ 144.5	\$ 7.3	\$ 169.4	\$ 40.2

(1) Amounts have been restated as a result of a change in accounting policy and a reclassification with respect to goodwill and intangible assets. Please refer to note 1 of the unaudited consolidated financial statements for the fourth quarter ended May 1, 2010.

Operating Activities

Fourth quarter cash flows from operating activities equalled \$320.8 million compared to \$205.2 million in the comparable period last year. The increase of \$115.6 million is attributed to an increase in the net change in non-cash working capital of \$134.4 million and an increase in net earnings of \$11.4 million, partially offset by a decrease in items not affecting cash of \$30.2 million.

In fiscal 2010, cash flows from operating activities equalled \$784.1 million compared to \$668.0 million last year. The increase of \$116.1 million is attributed to an increase in the net change in non-cash working capital of \$73.8 million, an increase in net earnings available for common shareholders of \$37.2 million and an increase in items not affecting cash of \$5.1 million.

Investing Activities

Cash used in investing activities of \$92.8 million in the fourth quarter (2009 - \$139.9 million) consisted primarily of purchases of property and equipment of \$128.0 million compared to purchases of property and equipment of \$112.0 million in the fourth quarter last year.

For the 52 weeks ended May 1, 2010, cash used in investing activities of \$466.1 million was \$52.2 million higher than last fiscal year. Cash used in investing activities consisted primarily of purchases of property and equipment of \$434.0 million in fiscal 2010 compared to \$400.6 million last year.

The table below outlines the number of stores Sobeys invested in during the 13 and 52 weeks ended May 1, 2010 compared to the 13 and 52 weeks ended May 2, 2009:

Sobeys' Corporate and Franchised Store

Construction Activity

# of Stores	13 Weeks Ended		52 Weeks Ended	
	May 1, 2010	May 2, 2009	May 1, 2010	May 2, 2009
Opened/Acquired/Relocated	11	13	41	47
Expanded	4	3	13	11
Rebanneder/Redeveloped	14	2	22	16
Closed	17	20	52	52

The following table shows Sobeys' square footage changes for the 13 and 52 weeks ended May 1, 2010 by type:

Sobeys' Square Footage Changes

(in thousands)

Square Feet	May 1, 2010 versus Jan. 30, 2010	May 1, 2010 versus May 2, 2009
Opened	222	856
Relocated	63	115
Acquired	3	8
Expanded	38	140
Closed	(193)	(554)
Net Change	133	565

At May 1, 2010, Sobeys' square footage totalled 28.1 million square feet, a 2.2 percent increase over the 27.5 million square feet operated at the end of the fourth quarter last year.

Financing Activities

Financing activities during the fourth quarter of fiscal 2010 used \$83.5 million of cash compared to \$58.0 million of cash used in financing activities in the same quarter last year. The increase of \$25.5 million in cash flows used in financing activities when compared to the same quarter last year is primarily the result of an increase in cash flows used to decrease bank indebtedness relative to last year.

Financing activities during the 52 weeks ended May 1, 2010 used \$148.6 million of cash compared to \$213.9 million of cash used in financing activities last year. The decrease in cash flows used in financing activities of \$65.3 million in the 52 weeks ended May 1, 2010 when compared to last year is primarily the result of an increase in issuance of long-term debt of \$30.9 million and a decrease in cash flow used to reduce bank indebtedness of \$18.6 million.

Subsequent Events

On May 25, 2010, Sobeys filed a short form prospectus providing for the issuance of up to \$500.0 million of unsecured Medium Term Notes. On June 7, 2010, Sobeys issued new Medium Term Notes of \$150.0 million at a yield of 6.64 percent, to mature on June 7, 2040.

On June 4, 2010, the Company renewed its non-consolidated \$650.0 million credit facility that matured on that date for an additional three-year term to expire on June 30, 2013. The size of the facility was reduced to \$450.0 million from \$650.0 million reflecting both strong cash generation and lower debt levels.

Accounting Policy Changes

The accounting policy changes are explained in note 1 to the unaudited consolidated financial statements included in this release.

Additional Information

Additional information about the Company has been filed electronically with various securities regulators in Canada through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online at www.sedar.com.

Definition of Non-GAAP Measures

Certain measures included in this news release do not have a standardized meaning under Canadian Generally Accepted Accounting Principles ("GAAP") and, therefore, may not be comparable to similarly titled measures presented by other publicly traded companies. The Company includes these measures because it believes certain investors use these measures as a means of assessing Empire's financial performance.

Empire's definition of the non-GAAP terms are as follows: (i) operating earnings is net earnings before capital gains (losses) and other items; (ii) operating income or earnings before interest and taxes ("EBIT") is calculated as operating earnings before minority interest, interest expense and income taxes; (iii) earnings before interest, taxes, depreciation and amortization ("EBITDA") is calculated as EBIT plus depreciation and amortization; (iv) funded debt is all interest-bearing debt which includes bank loans, bankers' acceptances, long-term debt and debt related to assets held for sale; (v) total capital is calculated as funded debt plus equity; (vi) net debt is calculated as funded debt less cash and cash equivalents; (vii) funds from operations are calculated as operating earnings plus depreciation and amortization; (viii) same-store sales are sales from stores in the same location in both reporting periods; and (ix) free cash flow is calculated as cash flow from operating activities less property and equipment purchases.

Forward-Looking Statements

This news release contains forward-looking statements which reflect management's expectations regarding the Company's objectives, plans, goals, strategies, future growth, financial condition, results of operations, cash flows, performance, business prospects and opportunities. All statements other than statements of historical facts included in this news release, including statements regarding the Company's objectives, plans, goals, strategies, future growth, financial condition, results of operations, cash flows, performance, business prospects and opportunities, may constitute forward-looking information. Expressions such as "anticipates", "expects", "believes", "estimates", "intends", "could", "may", "plans", "predicts", "projects", "will", "would", "foresees", "remain confident that" and other similar expressions or the negative of these terms are generally indicative of forward-looking statements.

These forward looking statements include the Company's expectation that its sources of liquidity will be sufficient to meet expected cash outflows over the next year which could be impacted by changing capital market conditions as well as uncertainties that could cause the outcome to differ significantly from expectation. These statements are based on Empire management's reasonable assumptions and beliefs in light of the information currently available to them. The forward-looking information contained in this news release is presented for the purpose of assisting the Company's security holders in understanding its financial position and results of operation as at and for the periods ended on the dates presented and the Company's strategic priorities and objectives and may not be appropriate for other purposes. By its very nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks and uncertainties, which give rise to the possibility that the Company's predictions, forecasts, expectations or conclusions will not prove to be accurate, that the Company's assumptions may not be correct and that the Company's objectives, strategic goals and priorities will not be achieved. Although the Company believes that the predictions, forecasts, expectations or conclusions reflected in the forward-looking information are reasonable, it can give no assurance that such matters will prove to have been correct. Such forward-looking information is not fact but only reflections of management's estimates and expectations. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These factors include but are not limited to: changes in general industry, market and economic conditions, competition from existing and new competitors, energy prices, supply issues, inventory management, changes in demand due to seasonality of the business, interest rates, changes in laws and regulations, operating efficiencies and cost saving initiatives. In addition, these uncertainties and risks are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Risk Management section of the annual Management Discussion and Analysis included in the Company's Annual Report.

Empire cautions that the list of important factors is not exhaustive and other factors could also adversely affect its results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. Forward-looking statements may not take into account the effect on the Company's business of transactions occurring after such statements have been made. For example, dispositions, acquisitions, asset write-downs or other changes announced or occurring after such statements are made may not be reflected in forward-looking statements. The forward-looking information in this news release reflects the Company's expectations as of June 25, 2010, and is subject to change after this date. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company other than as required by applicable securities laws.

Conference Call Invitation

The Company will hold an analyst call on Friday, June 25, 2010 beginning at 1:00 p.m. Eastern Daylight Time during which senior management will discuss the Company's financial results for the fourth quarter of fiscal 2010 ended May 1, 2010. To join this conference call dial 1-888-231-8191 outside of the Toronto area or 647-427-7450 from within the Toronto area. You may also listen to a live audiocast of the conference call by visiting the Company's website located at www.empireco.ca. Replay will be available by dialling 1-800-642-1687 and entering passcode 80871557 until midnight July 2, 2010, or on the Company's website for 90 days after the meeting.

About Empire

Empire Company Limited (TSX: EMP.A) is a Canadian company headquartered in Stellarton, Nova Scotia. Empire's core businesses include food retailing and related real estate. With over \$15 billion in annual revenue and approximately \$6.2 billion in assets, Empire and its related companies, including its franchisees and affiliates, employ over 90,000 people.

For further information, please contact:

Paul V. Beesley

Executive Vice President and Chief Financial Officer

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EMPIRE COMPANY LIMITED
CONSOLIDATED BALANCE SHEETS

(in millions)

	May 1 2010 Unaudited	May 2 2009 Audited
		<i>Restated (Note 1)</i>
ASSETS		
Current		
Cash and cash equivalents	\$ 401.0	\$ 231.6
Receivables	336.9	308.9
Loans and other receivables	105.8	65.6
Income taxes receivable	-	4.9
Inventories (Note 2)	880.3	842.8
Prepaid expenses	70.1	63.9
	1,794.1	1,517.7
Investments, at realizable value	10.9	1.1
Investments, at equity (realizable value \$476.8; 2009 - \$254.4) (Note 4)	56.8	18.8
Loans and other receivables	79.2	75.3
Other assets (Note 5)	94.5	89.0
Property and equipment	2,548.7	2,567.8
Assets held for sale	36.5	8.5
Intangibles	455.0	441.5
Goodwill	1,172.6	1,171.4
	\$ 6,248.3	\$ 5,891.1
LIABILITIES		
Current		
Bank indebtedness	\$ 17.8	\$ 45.9
Accounts payable and accrued liabilities	1,621.6	1,487.1
Income taxes payable	19.5	-
Future income taxes	50.9	40.5
Long-term debt due within one year (Note 6)	379.4	133.0
	2,089.2	1,706.5
Long-term debt (Note 6)	829.0	1,124.0
Employee future benefits obligation	125.1	118.4
Future income taxes	86.4	89.5
Other long-term liabilities	130.6	135.0
Minority interest	35.6	38.9
	3,295.9	3,212.3
SHAREHOLDERS' EQUITY		
Capital stock	325.1	324.5
Contributed surplus	3.2	1.7
Retained earnings	2,652.2	2,401.1
Accumulated other comprehensive loss (Note 7)	(28.1)	(48.5)
	2,952.4	2,678.8
	\$ 6,248.3	\$ 5,891.1
Contingent liabilities (Note 16)		
Subsequent events (Note 19)		

See accompanying notes to the unaudited interim period consolidated financial statements.

EMPIRE COMPANY LIMITED
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS
YEARS ENDED
(Unaudited, in millions)

	May 1 2010	May 2 2009 <i>Restated (Note 1)</i>
Balance, beginning of year as previously reported	\$ 2,405.8	\$ 2,207.6
Adjustment due to implementation of new accounting standard (Note 1)	(4.7)	(25.0)
Balance, beginning of year as restated	2,401.1	2,182.6
Net earnings	301.9	264.7
Dividends		
Preferred shares	(0.1)	(0.1)
Common shares	(50.7)	(46.1)
Balance, end of year	\$ 2,652.2	\$ 2,401.1

EMPIRE COMPANY LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
PERIODS ENDED
(Unaudited, in millions)

	May 1 2010 (13 weeks)	May 2 2009 (13 weeks) <i>Restated (Note 1)</i>	May 1 2010 (52 weeks)	May 2 2009 (52 weeks) <i>Restated (Note 1)</i>
Net earnings	\$ 73.5	\$ 62.1	\$ 301.9	\$ 264.7
Other comprehensive income (loss)				
Unrealized gains (losses) on available-for-sale financial assets, net of income taxes of \$0.1; \$Nil; \$0.2; \$(0.1)	0.2	(0.1)	0.8	(0.4)
Reclassification of loss on available-for-sale financial assets to earnings, net of income taxes of \$Nil; \$Nil	0.2	-	0.2	-
Unrealized gains (losses) on derivatives designated as cash flow hedges, net of income taxes of \$1.5; \$(1.2); \$4.1; \$(7.3)	2.6	(3.9)	7.6	(16.2)
Reclassification of loss on derivative instruments designated as cash flow hedges to earnings, net of income taxes of \$0.6; \$0.5; \$2.9; \$1.5	1.7	1.5	6.4	3.5
Share of comprehensive income (loss) of entities accounted for using the equity method, net of income taxes of \$Nil; \$(0.1); \$4.0; \$(7.3)	0.2	(0.2)	7.6	(14.1)
Foreign currency translation adjustment	(0.4)	0.2	(2.2)	0.2
	4.5	(2.5)	20.4	(27.0)
Comprehensive income	\$ 78.0	\$ 59.6	\$ 322.3	\$ 237.7

See accompanying notes to the unaudited interim period consolidated financial statements.

EMPIRE COMPANY LIMITED
CONSOLIDATED STATEMENTS OF EARNINGS
PERIODS ENDED

(Unaudited, in millions, except per share amounts)

	May 1 2010 (13 weeks)	May 2 2009 <i>(13 weeks)</i> <i>Restated (Note 1)</i>	May 1 2010 (52 weeks)	May 2 2009 <i>(52 weeks)</i> <i>Restated (Note 1)</i>
Revenue	\$ 3,836.8	\$ 3,709.0	\$ 15,516.2	\$ 15,015.1
Operating expenses				
Cost of sales, selling and administrative expenses	3,638.6	3,522.2	14,728.2	14,251.7
Depreciation and amortization	87.0	85.2	339.7	336.1
	<u>111.2</u>	<u>101.6</u>	<u>448.3</u>	<u>427.3</u>
Investment income (Note 8)	<u>7.3</u>	<u>7.7</u>	<u>31.4</u>	<u>38.9</u>
Operating income	<u>118.5</u>	<u>109.3</u>	<u>479.7</u>	<u>466.2</u>
Interest expense				
Long-term debt	16.7	17.2	67.9	75.9
Short-term debt	1.5	1.6	4.6	4.7
	<u>18.2</u>	<u>18.8</u>	<u>72.5</u>	<u>80.6</u>
	<u>100.3</u>	<u>90.5</u>	<u>407.2</u>	<u>385.6</u>
Capital gains (losses) and other items (Note 9)	<u>1.8</u>	<u>(1.1)</u>	<u>(0.6)</u>	<u>2.8</u>
Earnings before income taxes and minority interest	<u>102.1</u>	<u>89.4</u>	<u>406.6</u>	<u>388.4</u>
Income taxes (Note 10)				
Current	41.2	19.7	109.2	122.1
Future	(12.9)	6.8	(10.1)	(6.7)
	<u>28.3</u>	<u>26.5</u>	<u>99.1</u>	<u>115.4</u>
Earnings before minority interest	<u>73.8</u>	<u>62.9</u>	<u>307.5</u>	<u>273.0</u>
Minority interest	<u>0.3</u>	<u>0.8</u>	<u>5.6</u>	<u>8.3</u>
Net earnings	<u>\$ 73.5</u>	<u>\$ 62.1</u>	<u>\$ 301.9</u>	<u>\$ 264.7</u>
Earnings per share (Note 3)				
Basic	<u>\$ 1.07</u>	<u>\$ 0.95</u>	<u>\$ 4.41</u>	<u>\$ 4.03</u>
Diluted	<u>\$ 1.07</u>	<u>\$ 0.94</u>	<u>\$ 4.40</u>	<u>\$ 4.02</u>
Weighted average number of common shares outstanding, in millions				
Basic	68.4	65.9	68.4	65.7
Diluted	68.5	66.0	68.5	65.8

See accompanying notes to the unaudited interim period consolidated financial statements.

EMPIRE COMPANY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

PERIODS ENDED

(Unaudited, in millions)

	May 1 2010 (13 weeks)	May 2 2009 <i>(13 weeks)</i> <i>Restated (Note 1)</i>	May 1 2010 (52 weeks)	May 2 2009 <i>(52 weeks)</i> <i>Restated (Note 1)</i>
Operating Activities				
Net earnings	\$ 73.5	\$ 62.1	\$ 301.9	\$ 264.7
Items not affecting cash (Note 11)	72.8	103.0	358.0	352.9
Preferred dividends	-	-	(0.1)	(0.1)
	<u>146.3</u>	<u>165.1</u>	<u>659.8</u>	<u>617.5</u>
Net change in non-cash working capital	174.5	40.1	124.3	50.5
Cash flows from operating activities	<u>320.8</u>	<u>205.2</u>	<u>784.1</u>	<u>668.0</u>
Investing Activities				
Net decrease (increase) in investments	1.0	2.9	(50.5)	(1.9)
Purchase of property and equipment	(128.0)	(112.0)	(434.0)	(400.6)
Proceeds on disposal of property and equipment	65.6	13.2	137.1	78.0
Additions to intangibles	(8.2)	(17.3)	(34.7)	(41.7)
Loans and other receivables	(15.5)	(18.7)	(44.1)	(14.7)
(Increase) decrease in other assets	(7.3)	0.2	(5.9)	8.4
Business acquisitions (Note 15)	(0.4)	(8.2)	(34.0)	(41.4)
Cash flows used in investing activities	<u>(92.8)</u>	<u>(139.9)</u>	<u>(466.1)</u>	<u>(413.9)</u>
Financing Activities				
(Decrease) increase in bank indebtedness	(71.4)	7.4	(28.1)	(46.7)
Issue of long-term debt	18.1	15.9	97.7	66.8
Repayment of long-term debt	(15.3)	(199.5)	(158.6)	(307.7)
Minority interest	(2.2)	0.6	(8.9)	(7.0)
Repurchase of preferred shares	-	-	-	(2.3)
Issue of Non-Voting Class A shares	-	129.1	-	129.1
Common dividends	(12.7)	(11.5)	(50.7)	(46.1)
Cash flows used in financing activities	<u>(83.5)</u>	<u>(58.0)</u>	<u>(148.6)</u>	<u>(213.9)</u>
Increase in cash and cash equivalents	144.5	7.3	169.4	40.2
Cash and cash equivalents, beginning of period	256.5	224.3	231.6	191.4
Cash and cash equivalents, end of period	<u>\$ 401.0</u>	<u>\$ 231.6</u>	<u>\$ 401.0</u>	<u>\$ 231.6</u>

See accompanying notes to the unaudited interim period consolidated financial statements.

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited, in millions)

1. Summary of Significant Accounting Policies

The unaudited interim period consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and include the accounts of Empire Company Limited (the "Company"), all subsidiary companies, including 100% owned Sobeys Inc. ("Sobeys") and its subsidiaries and variable interest entities ("VIEs") which the Company is required to consolidate.

Interim consolidated financial statements

These interim consolidated financial statements do not include all of the disclosures included in the Company's annual consolidated financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended May 2, 2009, as set out in the 2009 Annual Report. The Consolidated Statements of Accumulated Other Comprehensive Loss which were previously disclosed on page 63 of the 2009 Annual Report are replaced by Note 7 to the interim consolidated financial statements.

Generally accepted accounting principles

The accounting standards and policies used in the preparation of these interim consolidated financial statements conform with those used in the Company's 2009 annual consolidated financial statements except as noted below:

Adopted during fiscal 2010

Goodwill and intangible assets

In February 2008, the Canadian Institute of Chartered Accountants ("CICA") issued Section 3064, "Goodwill and Intangible Assets", which replaced existing Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development". The new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. As a result of adopting Section 3064, Emerging Issues Committee ("EIC") Abstract 27, "Revenues and Expenditures During the Pre-Operating Period", no longer applies. The Company has implemented these requirements, in compliance with transitional provisions, effective for the first quarter of fiscal 2010 retrospectively with restatement of the comparative periods. The initial impact under the new standard as at May 2, 2009 was a decrease to prepaid expenses of \$6.9, a decrease to other assets of \$62.4, a decrease in property and equipment of \$33.7, an increase to intangibles of \$96.1, a decrease of future tax liabilities of \$2.2 as well as a reduction of retained earnings of \$4.7. For the 13 and 52 weeks ended May 2, 2009, cost of sales, selling and administrative expenses decreased \$0.4 and \$9.4, depreciation and amortization expense increased \$2.7 and \$11.3 and income taxes decreased \$0.8 and \$0.7 respectively.

Financial Instruments - Disclosures

In June 2009, the CICA issued amendments to the existing Section 3862, "Financial Instruments - Disclosures", to more closely align the section with those required under International Financial Reporting Standards. The amendments include enhanced disclosure requirements relating to fair value measurements of financial instruments and liquidity risks. These amendments apply for annual financial statements with fiscal years ending after September 30, 2009. The Company has implemented these enhanced disclosure requirements in compliance with transitional provisions. The new disclosures did not have a material impact.

Adopted during fiscal 2009

Inventories

In June 2007, the CICA issued Section 3031, "Inventories", which replaced Section 3030 with the same title. The Company, in accordance with transitional provisions, applied the standard prospectively to opening inventory and retained earnings for fiscal 2009. The initial impact of measuring inventories under the new standard using a consistent cost formula for inventories with a similar nature and use was a decrease to the carrying amount of opening inventories of \$27.9 and a decrease to income taxes payable of \$6.4. Opening retained earnings was reduced by \$21.5, equal to the change in opening inventories, net of tax.

Future changes in accounting policies

Business combinations, consolidated financial statements and non-controlling interests

In January 2009, the CICA issued three new accounting standards which are based on the International Accounting Standards Board's International Financial Reporting Standard 3, "Business Combinations". Section 1582, "Business Combinations", which replaces Section 1581 with the same title, aims to improve the relevance, reliability and comparability of the information provided in financial statements about business combinations. This section is to be applied prospectively to business combinations for which the acquisition date is on or after January 1, 2011 and assets and liabilities that arose from business combinations that preceded the adoption of this standard should not be adjusted upon adoption. Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests", replace Section 1600, "Consolidated Financial Statements", and establish standards for the preparation of consolidated financial statements and accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements beginning on or after January 1, 2011. Earlier adoption of all three standards is permitted as of the beginning of a fiscal year, however if an entity chooses to early adopt, all three standards must be adopted concurrently. The Company is currently evaluating the impact of these new standards.

EMPIRE COMPANY LIMITED
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(Unaudited, in millions except per share amounts)

1. Summary of Significant Accounting Policies (continued)

Multiple deliverable revenue arrangements

In December 2009, the CICA issued EIC 175, "Multiple Deliverable Revenue Arrangements". EIC 175, which replaces EIC 142, "Revenue Arrangements with Multiple Deliverables", addresses some aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. This new standard is effective for the Company's annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. The Company is assessing the impact of the new standard on its financial statements.

2. Inventories

The cost of inventories recognized as an expense during the fourth quarter and year-to-date of fiscal 2010 was \$2,839.2 and \$11,616.1 respectively (2009 - \$2,740.7 and \$11,232.5). The cost of inventories recognized as an expense during the fourth quarter and year-to-date included \$6.8 and \$36.2 respectively (2009 - \$11.4 and \$45.5) for the write-down of inventories below cost to net realizable value. There were no reversals of inventories written down previously (2009 - \$Nil).

3. Earnings Per Share

Earnings applicable to common shares is comprised of the following:

	2010 <i>(13 weeks)</i>	2009 <i>(13 weeks)</i> <i>Restated (Note 1)</i>	2010 <i>(52 weeks)</i>	2009 <i>(52 weeks)</i> <i>Restated (Note 1)</i>
Operating earnings	\$ 71.9	\$ 62.9	\$ 284.5	\$ 261.7
Capital gains (losses) and other items, net of income taxes of \$0.2; \$(0.3); \$(18.0); \$(0.2)	1.6	(0.8)	17.4	3.0
Net earnings	73.5	62.1	301.9	264.7
Preferred share dividends	-	-	(0.1)	(0.1)
Earnings applicable to common shares	<u>\$ 73.5</u>	<u>\$ 62.1</u>	<u>\$ 301.8</u>	<u>\$ 264.6</u>

Included in income taxes of \$(18.0) for the year ended May 1, 2010 is an income tax recovery of \$17.0 (see Note 10).

Earnings per share is comprised of the following:

Operating earnings	\$ 1.05	\$ 0.96	\$ 4.16	\$ 3.98
Net capital gains (losses) and other items	0.02	(0.01)	0.25	0.05
Basic earnings per share	<u>\$ 1.07</u>	<u>\$ 0.95</u>	<u>\$ 4.41</u>	<u>\$ 4.03</u>
Operating earnings	\$ 1.05	\$ 0.95	\$ 4.15	\$ 3.97
Net capital gains (losses) and other items	0.02	(0.01)	0.25	0.05
Diluted earnings per share	<u>\$ 1.07</u>	<u>\$ 0.94</u>	<u>\$ 4.40</u>	<u>\$ 4.02</u>

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MAY 1, 2010
(Unaudited, in millions)

4. Investments, at Equity

	<u>May 1 2010</u>	<u>May 2 2009</u>
Wajax Income Fund (27.6% interest)	\$ 30.8	\$ 31.0
Crombie REIT (47.4% interest)	8.4	(19.7)
U.S. residential real estate partnerships	17.6	7.5
	<u>\$ 56.8</u>	<u>\$ 18.8</u>

The Company's carrying value of its investment in Wajax Income Fund is as follows:

	<u>May 1 2010</u>	<u>May 2 2009</u>
Balance, beginning of year	\$ 31.0	\$ 31.6
Equity earnings	9.2	18.5
Share of comprehensive loss	(0.2)	(0.5)
Distributions received	(9.2)	(18.6)
Balance, end of year	<u>\$ 30.8</u>	<u>\$ 31.0</u>

The Company's carrying value of its investment in Crombie REIT is as follows:

	<u>May 1 2010</u>	<u>May 2 2009</u>
Balance, beginning of year	\$ (19.7)	\$ 9.5
Equity earnings		
Continuing operations	18.6	19.8
Other expenses	(4.7)	-
Share of comprehensive income (loss)	11.8	(20.8)
Distributions received	(24.9)	(21.8)
Deferral of gains on sale of property	(2.7)	(6.4)
Interest acquired in Crombie REIT	30.0	-
Balance, end of year	<u>\$ 8.4</u>	<u>\$ (19.7)</u>

On June 25, 2009, Crombie REIT closed a bought-deal public offering of units at a price of \$7.80 per unit. In satisfaction of its pre-emptive right with respect to the public offering, the Company subscribed for \$30.0 of Class B Units (which are convertible on a one-for-one basis into units of Crombie REIT). Consequently the Company's interest in Crombie REIT was reduced from 47.9% to 47.4%.

5. Other Assets

Asset-backed commercial paper

Included in other assets is \$30.0 (May 2, 2009 - \$30.0) of third-party asset-backed commercial paper ("ABCP") which the Company estimates the fair value to be \$21.2 (May 2, 2009 - \$17.8), approximately 71 percent (May 2, 2009 - 59 percent) of the face value. On January 21, 2009, the Company derecognized the existing held to maturity assets and received restructured ABCP MAV II notes: A1 - \$7.8, A2 - \$17.5, B - \$3.2, C - \$0.9 and \$0.6 of tracking notes (the "restructured notes") as designated in the Montreal Accord as well as accrued interest. The A1 and A2 notes received an A rating from the Dominion Bond Rating Service ("DBRS"). The remaining notes have not yet been rated. The restructured notes are floating rate notes with expected payouts in January 2017.

On August 11, 2009, DBRS downgraded the A2 notes from A to BBB (low) under a negative watch. The downgrade did not have a material change in the fair value of the notes. Continuing uncertainties regarding the value of assets which underlie the ABCP, the amount and timing of cash flows and the outcome of the restructuring process could give rise to a further material change in the value of the Company's investment in ABCP which could impact the Company's future earnings. The Company believes it has sufficient credit facilities to satisfy its financial obligations as they come due and does not expect there will be a material adverse impact on its business as a result of this current third-party ABCP liquidity issue.

The Company has classified these notes as held for trading and as a result are fair valued at each reporting period. During fiscal 2009, the Company received \$1.0 of interest and recorded a \$4.7 pre-tax provision. The Company updated its analysis of the fair value of the restructured notes, including factors such as estimated cash flow scenarios and risk adjusted discount rates, and a pre-tax gain of \$3.4 was recorded in the year ended May 1, 2010. Discount rates vary depending upon the credit rating of the restructured long-term floating rate notes. Discount rates have been estimated using Government of Canada benchmark rates plus expected spreads for similarly rated instruments with similar maturities and structure. The Company has performed a sensitivity analysis on estimated discount rates used in the fair value analysis and determined that a change of one percent would result in a pre-tax change in the fair value of these investments of approximately \$1.6 (2009 - \$1.3).

EMPIRE COMPANY LIMITED
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MAY 1, 2010
(Unaudited, in millions)

6. Long-Term Debt

During the first quarter, the Company's Credit Facilities (\$294.5 as of May 1, 2010) was classified as current as it matures on June 8, 2010. Subsequent to year-end the Credit Facilities were renewed (refer to Note 19).

On November 8, 2007, Sobeys established a revolving credit facility of \$75.0 that is currently unutilized. The maturity date is November 8, 2010. The interest rate is floating and fluctuates with changes in the bankers' acceptance rate, Canadian prime rate or LIBOR. On June 12, 2009, Sobeys repaid, although did not cancel, this facility.

7. Accumulated Other Comprehensive Loss

The following table provides further detail regarding the composition of accumulated other comprehensive loss:

	May 1 2010	May 2 2009
Balance , beginning of year	\$ (48.5)	\$ (21.5)
Other comprehensive income (loss) for the year	20.4	(27.0)
Balance , end of year	<u>\$ (28.1)</u>	<u>\$ (48.5)</u>

An estimated net loss of \$6.0 recorded in accumulated other comprehensive loss related to the cash flow hedges as at May 1, 2010 (May 2, 2009 - \$4.6), is expected to be reclassified to net earnings during the next 12 months. Remaining amounts will be reclassified to net earnings over periods up to nine years.

8. Investment Income

	2010 (13 weeks)	2009 (13 weeks)	2010 (52 weeks)	2009 (52 weeks)
Dividend and interest income	\$ 0.3	\$ 0.1	\$ 3.3	\$ 0.5
Share of earnings of entities accounted using the equity method	7.0	7.6	28.1	38.4
	<u>\$ 7.3</u>	<u>\$ 7.7</u>	<u>\$ 31.4</u>	<u>\$ 38.9</u>

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited, in millions)

9. Capital Gains (Losses) and Other Items

	2010 (13 weeks)	2009 (13 weeks)	2010 (52 weeks)	2009 (52 weeks)
Equity share of Crombie REIT's other expenses	\$ -	\$ -	\$ (4.7)	\$ -
Change in fair value of Canadian third-party asset-backed commercial paper (Note 5)	2.1	-	3.4	(3.7)
Loss on sale of investments	(0.3)	-	(0.3)	-
(Loss) gain on sale of property	-	(0.6)	0.1	7.5
Foreign exchange (losses) gains	-	(0.5)	0.9	(1.0)
	\$ 1.8	\$ (1.1)	\$ (0.6)	\$ 2.8

10. Income Taxes

The effective tax rate for the year ended May 1, 2010 of 24.4% differs from the combined statutory rate of 30.9% due to the settlement negotiated with Canada Revenue Agency relating to the tax treatment of gains realized on the sale of shares in Hannaford Bros. Co. in fiscal 2001. Income tax expense was reduced in the first quarter by \$17.0 as a result of this settlement. Income tax expense was further reduced by \$4.7 as a result of statutory income tax rate changes.

11. Supplementary Cash Flow Information

	2010 (13 weeks)	2009 (13 weeks) <i>Restated (Note 1)</i>	2010 (52 weeks)	2009 (52 weeks) <i>Restated (Note 1)</i>
a) Items not affecting cash				
Depreciation	\$ 79.5	\$ 76.4	\$ 307.8	\$ 303.4
Amortization of intangibles	7.5	8.8	31.9	32.7
Future income taxes	(12.9)	6.8	(10.1)	(6.7)
Loss (gain) on disposal of assets	2.4	1.7	2.2	(5.1)
Amortization of other assets	1.4	(1.9)	3.3	(8.1)
Provision on asset-backed commercial paper	(2.1)	-	(3.4)	3.7
Equity in earnings of other entities, net of dividends received	1.5	2.4	10.7	2.4
Minority interest	0.3	0.8	5.6	8.3
Stock-based compensation	0.5	0.6	1.6	1.2
Long-term lease obligation	3.3	4.2	12.4	7.1
Employee future benefits obligation	2.1	2.4	6.7	7.7
Rationalization costs (Note 18)	(10.7)	0.8	(10.7)	6.3
	\$ 72.8	\$ 103.0	\$ 358.0	\$ 352.9
b) Other cash flow information				
Interest paid	\$ 24.2	\$ 32.7	\$ 69.9	\$ 80.5
Income taxes paid	\$ 21.4	\$ 10.2	\$ 91.6	\$ 117.2

EMPIRE COMPANY LIMITED
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(Unaudited, in millions)

12. Segmented Information

	2010 (13 weeks)	2009 (13 weeks)	2010 (52 weeks)	2009 (52 weeks)
Segmented revenue				
Food retailing	\$ 3,754.9	\$ 3,651.4	\$ 15,243.0	\$ 14,764.8
Real estate				
Residential	29.0	8.1	63.3	54.6
Commercial	3.8	3.6	17.3	19.3
	<u>32.8</u>	<u>11.7</u>	<u>80.6</u>	<u>73.9</u>
Investment and other operations	<u>52.3</u>	<u>47.1</u>	<u>202.2</u>	<u>179.3</u>
	<u>3,840.0</u>	<u>3,710.2</u>	<u>15,525.8</u>	<u>15,018.0</u>
Elimination of inter-segment	<u>(3.2)</u>	<u>(1.2)</u>	<u>(9.6)</u>	<u>(2.9)</u>
	<u>\$ 3,836.8</u>	<u>\$ 3,709.0</u>	<u>\$ 15,516.2</u>	<u>\$ 15,015.1</u>

	2010 (13 weeks)	2009 (13 weeks) <i>Restated (Note 1)</i>	2010 (52 weeks)	2009 (52 weeks) <i>Restated (Note 1)</i>
Segmented operating income				
Food retailing	\$ 98.4	\$ 100.3	\$ 425.3	\$ 399.5
Real estate				
Residential	14.8	3.8	31.0	33.6
Crombie REIT	4.4	4.9	18.6	19.8
Commercial	(0.4)	-	1.2	2.5
Investment and other operations				
Wajax Income Fund	2.3	2.6	9.2	18.5
Other operations, net of corporate expenses	(1.0)	(2.3)	(5.6)	(7.7)
	<u>\$ 118.5</u>	<u>\$ 109.3</u>	<u>\$ 479.7</u>	<u>\$ 466.2</u>

	May 1 2010	May 2 2009 <i>Restated (Note 1)</i>
Identifiable assets		
Food retailing (excluding goodwill)	\$ 4,524.0	\$ 4,272.1
Goodwill	<u>1,131.8</u>	<u>1,130.6</u>
Food retailing	5,655.8	5,402.7
Real estate	315.5	223.1
Investment and other operations (including goodwill of \$40.8; May 2, 2009 - \$40.8)	<u>277.0</u>	<u>265.3</u>
	<u>\$ 6,248.3</u>	<u>\$ 5,891.1</u>

	2010 (13 weeks)	2009 (13 weeks) <i>Restated (Note 1)</i>	2010 (52 weeks)	2009 (52 weeks) <i>Restated (Note 1)</i>
Depreciation and amortization				
Food retailing	\$ 82.2	\$ 80.3	\$ 318.3	\$ 313.1
Real estate	0.3	(0.3)	1.3	1.8
Investment and other operations	4.5	5.2	20.1	21.2
	<u>\$ 87.0</u>	<u>\$ 85.2</u>	<u>\$ 339.7</u>	<u>\$ 336.1</u>

	2010 (13 weeks)	2009 (13 weeks) <i>Restated (Note 1)</i>	2010 (52 weeks)	2009 (52 weeks) <i>Restated (Note 1)</i>
Capital expenditures				
Food retailing	\$ 105.5	\$ 97.9	\$ 341.4	\$ 354.1
Real estate	18.4	11.2	68.1	36.9
Investment and other operations	4.1	2.9	24.5	9.6
	<u>\$ 128.0</u>	<u>\$ 112.0</u>	<u>\$ 434.0</u>	<u>\$ 400.6</u>

EMPIRE COMPANY LIMITED
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13. Related-Party Transactions

On September 30, 2009, the Company purchased \$10.0 of convertible unsecured subordinated debentures (the "Debentures") from Crombie REIT, pursuant to a bought-deal prospectus offering for a total of \$85.0. The Debentures have a maturity date of June 30, 2015. The Debentures have a coupon of 6.25% per annum and each \$1,000 principal amount of Debenture is convertible into approximately 90.9091 units of Crombie REIT, at any time, at the option of the holder, based on a conversion price of \$11.00 per unit. The Debentures have been classified as available-for-sale and are included in investments, at realizable value.

During the fourth quarter, the Company sold eight commercial properties to Crombie REIT for net cash proceeds of \$56.7, which was fair market value. Since the sale was to an equity accounted investment, no gain was recorded on the sale.

14. Employee Future Benefits

During the Company's fourth quarter and year-to-date of fiscal 2010, the net employee future benefit expense was \$9.7 and \$40.4 respectively (2009 - \$6.6 and \$31.8). The expense included costs for the Company's defined contribution pension plans, defined benefit pension plans, post-retirement benefit plans and post-employment benefit plans.

15. Business Acquisitions

Sobeys acquires franchisee and non-franchisee stores and prescription files. The results of these acquisitions have been included in the consolidated financial results of the Company since their acquisition dates, and were accounted for through the use of the purchase method. As illustrated in the table below, the acquisition of certain franchisee and non-franchisee stores resulted in the acquisition of intangible assets. The method of amortization of limited life intangibles is on a straight-line basis over their estimated useful life.

	2010 (13 weeks)	2009 (13 weeks)	2010 (52 weeks)	2009 (52 weeks)
<u>Stores</u>				
Inventory	\$ 2.8	\$ 3.2	\$ 6.0	\$ 8.7
Property and equipment	2.2	3.5	7.1	5.9
Intangibles	0.2	4.6	3.9	7.6
Goodwill	1.0	-	1.2	14.3
Other (liabilities) assets	(6.9)	0.4	(8.3)	0.9
	(0.7)	11.7	9.9	37.4
<u>Prescription files</u>				
Intangibles	1.1	-	6.9	3.2
Net assets acquired	0.4	11.7	16.8	40.6
Less promissory note issued	-	(3.5)	-	(3.5)
Cash consideration	\$ 0.4	\$ 8.2	\$ 16.8	\$ 37.1

During the third quarter, ECL Properties Limited (a subsidiary of the Company) acquired additional units of two residential partnerships already co-owned by the Company for cash consideration of \$17.2. The acquisitions were accounted for using the purchase method with net identifiable assets, primarily land inventory, recorded at \$22.6 and future income taxes recorded at \$5.4.

During the third quarter of fiscal 2009, ETL Canada Holdings Limited (a subsidiary of the Company) acquired all of the outstanding shares of an incorporated joint venture already co-owned by the Company for cash consideration of \$4.3. The acquisition was accounted for using the purchase method with net identifiable assets recorded at \$3.6 (including intangible assets of \$0.2) and goodwill at \$0.7.

16. Contingent Liabilities

In the ordinary course of business, the Company is subject to ongoing audits by tax authorities. While the Company believes that its tax filing positions are appropriate and supportable, from time to time certain matters are reviewed and challenged by the tax authorities.

There are various claims and litigation, which the Company is involved with, arising out of the ordinary course of business operations. The Company's management does not consider the exposure to such litigation to be material, although this cannot be predicted with certainty.

EMPIRE COMPANY LIMITED
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(Unaudited, in millions)

17. Stock-Based Compensation

Deferred share units

Members of the Board of Directors may elect to receive all or any portion of their fees in deferred share units ("DSUs") in lieu of cash. The number of DSUs received is determined by the market value of the Company's Non-Voting Class A shares on each director's fee payment date. Additional DSUs are received as dividend equivalents. DSUs cannot be redeemed for cash until the holder is no longer a director of the Company. The redemption value of a DSU equals the market value of an Empire Company Limited Non-Voting Class A share at the time of the redemption. On an ongoing basis, the Company values the DSU obligation at the current market value of a corresponding number of Non-Voting Class A shares and records any increase in the DSU obligation as an operating expense. At May 1, 2010, there were 104,527 (May 2, 2009 - 84,195) DSUs outstanding. During the fourth quarter and year-to-date of the current fiscal year, the compensation expense was \$0.7 and \$1.3 respectively (2009 - \$0.1 and \$1.8).

Stock option plan

During the first quarter, the Company granted an additional 162,399 options under the stock option plan for employees of the Company whereby options are granted to purchase Non-Voting Class A Shares. These options allow holders to purchase Non-Voting Class A Shares at \$46.04 per share and expire in June 2017. The options vest over four years with 50 percent of the options vesting only if certain financial targets are attained in a given fiscal year. These options have been treated as stock-based compensation.

The compensation cost relating to the 13 and 52 weeks ended May 1, 2010 was \$0.5 and \$1.6 respectively (2009 - \$0.6 and \$1.2) with amortization of the cost over the vesting period. The total increase in contributed surplus in relation to the stock option compensation cost was \$1.6 (2009 - \$1.2). The compensation cost was calculated using the Black-Scholes model with the following assumptions:

Expected life	5.25 years
Risk-free interest rate	2.625%
Expected volatility	22.8%
Dividend yield	1.60%

Phantom performance option plan

Sobeys has a Phantom Performance Option Plan for eligible employees of Sobeys. Under the plan, units are granted at the discretion of the Board based on a notional equity value of Sobeys tied to a specified formula. Upon implementation, the units had a three year vesting period with 33.3 percent of the units vesting each year. Subsequent issuances have a four year vesting period with 25.0 percent of the units vesting each year. As the notional fair value of Sobeys changes, the employees are entitled to the incremental increase in the notional equity value over a five year period. The Company recognizes a compensation expense equal to the change in notional value over the original grant value on a straight-line basis over the vesting period. After the vesting period, any change in incremental notional equity value is recognized as a compensation expense immediately. This is recorded as an accrued liability until settlement and is remeasured at each interim and annual reporting period of the Company. As at May 1, 2010, 1,379,175 (May 2, 2009 - 1,069,413) units were outstanding. For the 13 and 52

weeks ended May 1, 2010, the Company recognized \$3.2 and \$11.5 respectively (2009 - \$3.0 and \$6.1) of compensation expense associated with this plan.

18. Business Rationalization Costs

For the 13 and 52 weeks ended May 1, 2010, severance costs of \$Nil have been incurred and recognized (2009 - \$1.6 and \$10.7). The costs associated with the organizational change are recorded as incurred as cost of sales, selling and administrative expenses in the statement of earnings. The liability as of May 1, 2010 was \$1.5 (May 2, 2009 - \$12.2). Total costs incurred as a result of this change to May 1, 2010 were \$24.9.

19. Subsequent Events

On May 25, 2010, Sobeys filed a short form prospectus providing for the issuance of up to \$500.0 of unsecured Medium Term Notes. On June 7, 2010, Sobeys issued new Medium Term Notes of \$150.0, bearing an interest rate of 6.64%, maturing on June 7, 2040.

On June 4, 2010, the Company renewed its Credit Facilities which were reduced from \$650.0 to \$450.0, maturing on June 30, 2013.

20. Comparative Figures

Comparative figures have been reclassified, where necessary, to reflect the current period's presentation.