

Long-Term Progress

Empire's ability to build shareholder value has been based on continually investing in businesses we know and understand. This is reflected in our long-term performance and progress through different business cycles and will continue to ensure solid performance despite competition in food retailing and aggressive growth in real estate.

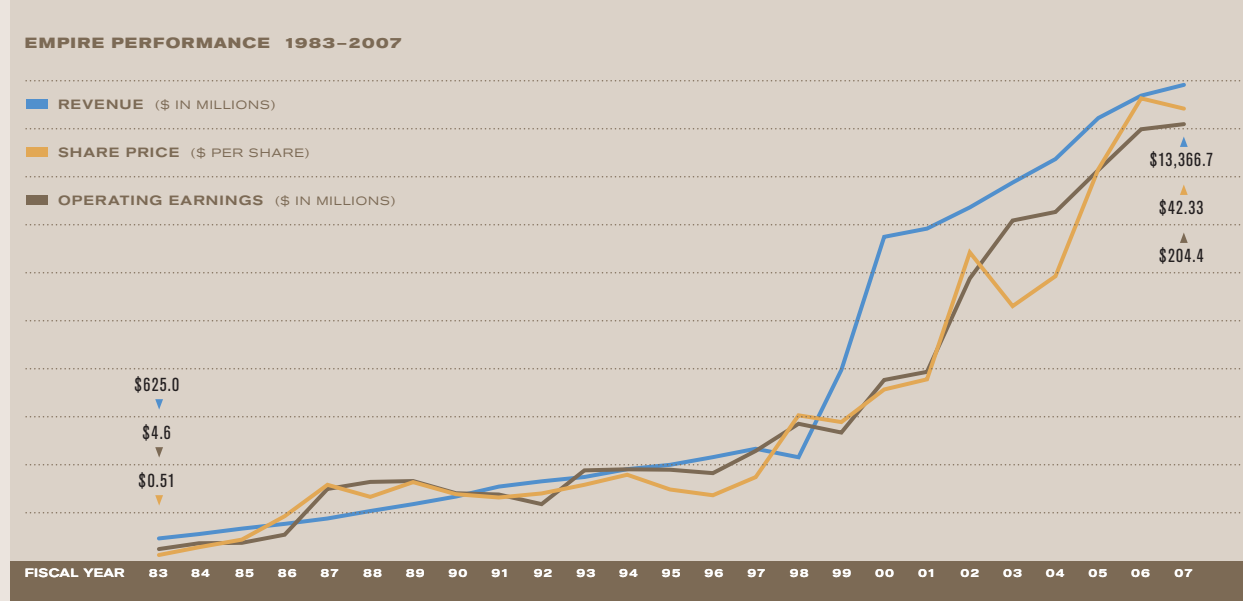
A CONSISTENT STRATEGY

Sobeys Stores Limited was our publicly listed entity on major exchanges until Empire Company was listed on the Toronto Stock Exchange in July, 1982. By June, 1987, Empire had purchased 100 percent of Sobeys' outstanding shares creating a business with three components: food retailing, real estate and other investments.

Other milestones in Empire's legacy of value creation are:

- ▶ **December, 1993** – The real estate division increases its ownership of Halifax Developments Limited to 100 percent from 36 percent.
- ▶ **December, 1998** – After acquiring the Oshawa Group, Sobeys Inc. became a public company with 62 percent ownership by Empire Company Limited.
- ▶ **January, 2001** – The real estate division purchases a 35.8 percent interest in Genstar Development Partnership.
- ▶ **March, 2006** – Crombie REIT completes an initial public offering with Empire retaining a 48.3 percent ownership interest.
- ▶ **June, 2007** – Empire acquires remaining common shares of Sobeys to increase its ownership to 100 percent from 72 percent at year-end.

Empire's Legacy of Value Creation Since Going Public in 1982



(1) COMPOUND ANNUAL GROWTH RATE SINCE FIRST FISCAL YEAR AS A PUBLIC COMPANY.



Initiatives that Deliver Results

Providing Optimum Choice

Compliments, Sobeys' private label brand launched in fiscal 2005, has been a strong contributor to sales and earnings growth at stores across Canada while enjoying an ever-increasing share of our customers' shopping baskets.

At the end of fiscal 2007, the *Compliments* brand had grown to more than 4,400 products from mouth-watering meal solutions to products for babies, health and body, home and garden, and pets. *Compliments* offers three quality tiers – *Value*, *Selection* and *Sensations* – supplemented by the *Organics* and *balance-équilibre* lines launched in fiscal 2006.

- ▶ Our *Compliments* Culinary Centres in Toronto and Halifax – established in 2005 – have become focal points for innovation and excellence, providing outstanding support to *Compliments* product development.
- ▶ Every *Organics* product is certified by Quality Assurance International (QAI) and accredited by Le Conseil des appellations agroalimentaires du Québec (CAAQ).
- ▶ Every *Compliments balance-équilibre* product has been evaluated by the Heart and Stroke Foundation's registered dietitians and bears the Health Check™ symbol – a first for private label brands in Canada.

New products are launched almost daily, giving our customers more of what they're looking for – more variety, more value, more information, and more everyday inspiration.

Focus on Property Development

Over the past two years, Empire has established a new real estate structure, including the creation of ECL Developments. This new division will be focused on food-anchored shopping plaza development under the leadership of Donald Clow as President, one of several key hires made by Empire in 2007 to support our pursuit of aggressive growth in real estate.

DISCIPLINED GROWTH

As Empire increases its capital investment in real estate development, we realize that our approach must be disciplined. This means investment decisions that adhere to a set of specific criteria, including:

- ▶ Projects are seen to generate a satisfactory return on investment;
- ▶ A beneficial competitive effect on Sobeys;
- ▶ Credit-worthy tenants with long-term leases that include contractual increases;
- ▶ Enhanced geographic diversification; and
- ▶ Competitive positioning in the project target market.

“Every investment decision must adhere to a set of strict criteria.”

DONALD E. CLOW
PRESIDENT,
ECL DEVELOPMENTS LIMITED

