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CONFERENCE CALL
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UNIDENTIFIED FEMALE SPEAKER: Ladies and gentlemen, Chair of the Board, Rob Dexter.

(applause)

ROB DEXTER (Chair of the Board, Empire Company Limited): Thank you, thank you. Good morning, ladies and gentlemen. Welcome to the 27th annual general meeting of Empire Company Limited. I'd like to note that we have a number of Nova Scotia Community College business students, I think right over here, along with Rosemary Davis. So we're pleased to have you with us.

My name is Rob Dexter. I'm Chair of the Board, and I'll be chair of this meeting. Also with me to my right, Paul Sobey, President and Chief Executive Officer; to his right, Bill McEwan, President and Chief Executive Officer of Sobeys; and to his right, Paul Beesley, Executive Vice-President and Chief Financial Officer; and to his right, Karin McCaskill, Secretary of the company and Senior Vice-President and General Counsel of Sobeys.

Karin will act as secretary of the meeting. I've asked Paula Morrison and Jeanette Eisner, both of CIBC Mellon Trust, to act as scrutineers.

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Our agenda today is first the formal part of the meeting. I have a few remarks of my own. Paul Sobey will make a few remarks and we'll try and answer any questions you may have. I now call this meeting to order.

Karin McCaskill, Secretary of the company, has advised me that we have 34,260,763 class B voting common shares represented at this meeting, either in person or by proxy, representing 100 per cent of the total outstanding class B voting shares. So I declare this annual general meeting to be duly constituted.

The minutes of the annual general meeting held September 11th, 2008 were distributed when you registered this meeting, and additional copies were available. Unless there are any objections, I will dispense with the reading of the minutes. Are there any errors or admissions in the minutes? Hearing no objections, the minutes are approved as presented.

Before I introduce the nominees to the board of directors, one of our colleagues, David Leslie, will not be with us. Sadly, his wife, Susan, passed away yesterday. So on behalf of the board and management, we offer our sincere condolences and wish the best to the family during this difficult time.

I would now like to introduce the directors to the board, and I'll ask each of you to stand up when I refer to your name. John Bragg. Marcel

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Côté. Christine Cross. Sorry, Christine's not here. I'll catch on, folks. Christine had a scheduling issue. David Ferguson. Edward Harsant. David Leslie, as I mentioned, will not be here. Bill McEwan. Malen Ng. Mel Rhinelander. Stephen Savidant. David Sobey. Donald Sobey. Frank Sobey. John Sobey. Karl Sobey. Paul Sobey. One more Sobey: Rob Sobey.

(applause)

ROB DEXTER: As noted in the notice of annual general meeting and management information circular, at this meeting we are to approve the following items: the election of each directors that I've just mentioned; the directors' remuneration as set out in the circular; the appointment of Grant Thornton LLP as auditors for the ensuing year; authorization of the directors to fix the remuneration of Grant Thornton.

Are there any questions on any of these matters?

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

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I declare each of these items passed as outlined in the notice of meetings and management information circular.

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

Hearing no questions, before I turn you over to Paul Sobey, I would like to say a few words of my own.

The business environment over the past 12 months, as we all know, has been difficult for many organizations. In a few moments, Paul will talk about the challenges and achievements of fiscal 2009 in more detail. Given this environment it's a testament to management and our employees that during fiscal 2009, Empire delivered record operating earnings.

There is no doubt in my mind that our performance was also made possible by our continued focus on our traditional core strength: food retailing and real estate. The solid performance of Sobeys was key to our consolidated results. The strength of Sobeys' performance and the

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challenge in economic and competitive environment confirms the potential that is inherent in our food-focused strategy.

Sobeys' management team continued to execute on its strategy to design to bring the benefits of a modern retail grocery network to more Canadians than at any time in its history and encourage more of those shoppers to buy more each time they visit one of our stores.

By continuing to enhance the food-focus offering, while at the same time reducing costs and improving productivity, Sobeys continues to make substantial progress in achieving its goal of being widely recognized as the best food retailer in Canada. Paul will talk about some of these specific initiatives in a moment.

During fiscal 2009 we continued to build upon the synergies that exist between our core businesses. Our real estate development company, ECL Developments, has established the breadth of capabilities in a pipeline of properties with impressive speed. To do this, they've worked closely with both Sobeys and Crombie REIT.

We continue to believe that this strategic partnership represents a significant and sustainable competitive advantage. We are confident that Empire will continue to generate value from its real estate assets throughout the economic cycle. As a result of the continuing improvements

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in our core operating businesses, Empire achieved record earnings before capital gains of 262.9 million, or \$3.99 per share in fiscal 2009.

Our balance sheet also ended the year in a very solid position. Our debt-to-capital ratio declined substantially in fiscal 2009, in part due to the successful completion of a public offering bought deal in April, and also due to the significant growth in free cash flow, which was used to reduce our bank indebtedness. These accomplishments reflect the management capability that resides within our corporate office, our subsidiaries, franchises, and affiliates today, and their ability to inspire the more than 90,000 people that we employ. The quality of this leadership continues to be publicly recognized.

I would like to acknowledge just a few. Rob Sobey, CEO of Lawtons Drug Stores, was chosen by Atlantic Business Magazine as CEO of the Year for Atlantic Canada in 2009. Congratulations, Rob.

(applause)

ROB DEXTER: Jason Potter, President of Operations for Sobeys Atlantic Region, was recognized as one of Canada's Top 40 Under 40 for 2008. This national award honours young Canadians for their vision, leadership, innovation, achievement and community involvement. Congratulations, Jason.

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(applause)

ROB DEXTER: And I should mention that last year Paul Jewer, Sobeys' Senior Vice-President, Finance and Treasurer, was also recognized with this significant honour.

At Empire, our commitment to good governance is important. We believe that good governance is essential to any company's ability to succeed. It is our core fiduciary responsibility to oversee the development of a cohesive strategy that will build long-term shareholder value, as well as its execution.

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

Finally, I would like to touch on the commitments of the communities in which we live and work. This commitment extends beyond the philanthropy that drives our support for hundreds of charities across Canada to also developing the sustainability initiatives that will allow both our company and our communities to thrive for many years.

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In closing, I would like to thank the management and employees of Empire and its operating companies for posting another solid year of performance in fiscal 2009. It's their efforts that make it possible to reward the loyalty and competence of both our customers and our shareholders.

And now I'd like to ask Paul Sobey to discuss the recent progress and strategy for continued growth. Paul?

(applause)

PAUL SOBEY (President and Chief Executive Officer, Empire Company Ltd.): Thank you, Rob, and good morning, ladies and gentlemen, fellow shareholders, and let me also on behalf of us all, welcome the business students here today from the Nova Scotia Community College. I had an opportunity to speak with some of you just very briefly and say hello, but they're bright, young, young students.

It's always a pleasure to meet with you to discuss the performance of our company and the strategies that we utilize in our efforts to build long-term sustainable shareholder value. As Rob has already mentioned, the challenging economic environment that we all experienced during the year was not particularly conducive to the generation of stronger financial performance. But that is exactly what Empire has achieved.

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During fiscal 2009 we continued to execute our strategies, which is squarely focused on those businesses that we know and understand, in particular, food retailing and real estate. Our focus and our people have been instrumental in creating a successful, exciting organization and have enabled Empire to achieve and deliver another year of strong operating performance.

We are pleased to report that revenue for the full year reached \$15.02 billion, a 6.8-per-cent increase from the \$14.07 billion reported last year. And we achieved record operating earnings, which increased 8.3 per cent to 262.9 million, or \$3.99 per share, up from the 242.8 million, or \$3.69 per share in the prior year.

The continued improvement in the operational performance of Sobeys was largely responsible for Empire's record consolidated financial results. And as a matter of interest, Empire's operating earnings have averaged a 15.9-per-cent growth over the last 10 years. And during fiscal '09 Empire achieved modest capital gains and other items of \$3 million as compared to \$73 million in the prior year, an amount that was primarily associated with the sale of a remaining liquid portfolio of investments to help fund the privatization of Sobeys in June of '07. This resulted in net

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earnings for the year of 265.9 million, or \$4.04 per share compared to the 315.8 million, or \$4.80 per share last year.

And our leverage continues to improve. At year-end Empire's net debt to capital ratio was 28.5 per cent, down from 36.7 per cent at the start of the fiscal year. The improvement is the result of stronger operational performance as well as the net cash proceeds of the \$129 million received from the public offering of shares in our fourth quarter.

Our liquidity remains strong with cash and cash equivalents of \$232 million at yearend and our consolidated bank facilities exceeded borrowings by \$930 million. In recognition of our improved operational performance and financial condition, your board of directors approved an increase in Empire's annual dividend to \$0.74 from \$0.70 per share at the end of June. Now this represents the 14th consecutive year of dividend increases. Our dividends have increased an average of 17.8 per cent over the last 10 years. And during fiscal '09 Empire's shares weathered the steep decline in the broad market to climb from a low of \$35 to \$49 by the end of the fiscal year.

Empire has delivered an average annual total return to shareholders of 15.4 per cent over the last 10 years. Our book value per share has also

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increased, increasing 8 per cent to \$39.14 at yearend, and over the last 10 years book value has increased an average of 15.8 per cent.

I'd like now to turn to the performance of each of our divisions. First, food retailing, which is a foundation and core of our success. Many of you here today know of our passion for food, which spans over 100 years. In fact I recognize here today many retired employees who served the company for decades with integrity and a passion for food that remains solidly intact today under the leadership of Bill McEwan and his team.

Our passion for food is evident. Sobeys is determined to out-food, out-fresh, out-service, out-market, and out-perform those who choose to compete with us for a greater share of the Canadian consumers' food requirements. This focus has resulted in solid same-store sales growth and sales per square foot increases.

Fiscal '09 was again another year of solid progress and performance for Sobeys. Sales increased 7.2 per cent to 14.8 billion, up from 13.8 billion in the prior year, a \$1 billion increase. Same-store sales grew by 5.2 per cent, well ahead of the 2.8 per cent same-store sales growth achieved in fiscal '08. Sobeys continued to grow share in a grown market through its unwavering commitment to its food-focus strategy of providing the right offering in the right-sized stores for each individual market it serves.

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Record sales and ongoing improvements in productivity resulted in Sobeys reporting operating income of \$406 million in fiscal '09, an 11.8-per-cent increase over last year. Operating margins increased to 2.75 per cent of sales, up from 2.64 per cent, and net earnings increased 16.7 per cent to \$229 million compared to the \$196 million reported in the prior year.

These results also reflect the impact of significant investments made over the years. In our stores, in our distribution centres, in our business systems and processes, and in the continued engagement and training of our employees who are the front line key to our growth and success.

During the year Sobeys invested more than \$382 million to expand and improve the quality of Sobeys retail square footage and infrastructure. As a result, Sobeys opened or relocated 47 new stores, expanded 11 stores, closed 52, and continued to upgrade and enhance its systems and infrastructure. Today Sobeys' total network square footage has grown to 27.5 million square feet with now approximately 75 per cent of the network at standards of operations that we consider current compared to approximately 25 per cent seven years ago. Now that is progress.

Every aspect of our stores, from décor to fresh food preparation, has improved. The result is more customers shopping more often and buying

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more each trip, adding to the growth in sales per square foot. Our operating results and key performance improvements have been enhanced by \$1.3 billion invested in our store network and infrastructure since the start of fiscal '07.

Now while Sobeys continues to modernize its store network, it also focused on its distribution facilities. For example, we recently opened a new distribution centre in Vaughn, Ontario. This facility incorporates V-Tron's integrated logistics fully automated warehouse and picking technology, a first in Canada. That is expected to significantly improve Sobeys Ontario's supply chain efficiencies and we will present a short video at the end of this meeting to demonstrate and show you this exciting new technology in action.

During the year we also continued to upgrade Sobeys tools and information system capabilities to support our food-focused strategy. These changes have allowed us to leverage our technology investment to significantly improve many aspects of our business from operations, merchandising, to distribution. For example, our system supported the successful launch of the new Club Sobeys and Club Sobeys MasterCard in Ontario and Western Canada and the re-launch of our Air Miles Reward Program in Atlantic Canada and Quebec.

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Across the country, we have the regional management teams with affiliate franchisee, owners and store operators who understand the unique needs of our customers. Our employees are trained and encouraged to take active roles in identifying local preferences to strengthen our merchandising mix.

We take pride, we take pride in the quality, value and convenience of our fresh food offerings and in servicing our customers in the ways that they value most. For example, Sobeys' reputation for excellence in prepared meals has proven to be a significant benefit as consumers seek alternatives to dining out. During the past year we built upon our leadership in this area with the introduction of Compliments and Gourmet Minute Prepared Meals products produced by a world-class manufacturer, Fleury Michon, from their new Quebec facility.

As you can see, Sobeys remains determined to be widely recognized as the best food retailer in Canada. That goal will be achieved by steadfast commitment to three key imperatives: continuing to strive to exceed the expectation of our customers through ongoing innovation in the products and the services offered every day to our customers; the continuous improvement in the operational execution through the engagement and development of our employees; reducing our cost base

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and improving productivity throughout our organization by streamlining our business, process, systems, and supply chain.

Our day-to-day execution is better now than ever and we are confident that the consistent execution of our very focused competitive food-focus strategy, our continuous productivity improvements, merchandising innovations positions Sobeys well for continued growth.

I'd like now to turn to our real estate division.

In fiscal 2009 the real estate division exhilarated the pace of its developments of its food-anchored shopping plazas in close cooperation with Sobeys and Crombie REIT. We believe this strategic partnership represents a significant, sustainable, competitive advantage. Sobeys brings valued slight selection expertise. ECL Developments brings development expertise, and Crombie REIT has the operational expertise, all necessary ingredients to build long-term sustainable value.

Our consolidated real estate performance was not strictly comparable to that of fiscal 08, the prior year, as fiscal 08's performance included Sobeys leased properties operations, the principal components of which were sold to Crombie REIT in April of '08. Adjusting for this, there are now three components to our real estate business, which I would like to comment on.

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First, our commercial development company, ECL Developments. ECL Developments continued to expand its property development pipeline with 18 anchored plazas under development in Ontario, Quebec, and Atlantic Canada at the end of our fiscal year. This represents 1.7 million square feet of grocery (inaudible) area and projects that we expect to be completed over the next 24 months. ECL Developments is integral to the ongoing growth of our food retailing business. As our internal property developer, this division is well positioned to capitalize on the breadth of knowledge and expertise within our food retailing and real estate business.

Second, Crombie REIT, in which we hold 47.4 per cent interest. Crombie REIT reported solid operating performance during our fiscal '09. Crombie's operating income contribution to Empire was \$19.8 million, an increase of 45 per cent from last year. This increase was driven by the purchase of 61 properties from Empire Sobeys leased properties in April of '08, as well as the same property net operating income growth.

At the end of its second quarter ended June 30th, Crombie reported trailing annual funds from operations of \$76.7 million, a 33-per-cent increase over the same period a year earlier. With 113 properties in seven provinces comprising an excess of 11 million square feet, our real estate interest in Crombie carried a market value of \$265 million at the end of our

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first quarter. Crombie also strengthened its financial position with a closing of a \$67 million equity offering last June and on Tuesday of this week announced an \$85 million convertible unsecured subordinated debenture on a bought-deal basis.

Now in August we recognized the retirement of Stuart Blair as CEO of Crombie REIT, after a long and distinguished career at Crombie and its predecessor companies. We also welcomed Donnie Clow as Crombie's new Chief Executive Officer and we are pleased that Donnie has accepted this position.

The third component of our real estate business is our 35.7-per-cent interest in Genstar Development Partnership. Genstar contributed 23.2 million of net earnings in fiscal '09 compared to 34.7 million last year. This decline had been anticipated given the substantial slowdown in the housing market. Genstar has a strong management team, is well capitalized and holds an attractive portfolio of undeveloped land and service lots, principally in Western Canada. The company is in excellent position to take advantage of new development opportunities and is well positioned for future growth once the cycle improves.

And finally, I'd like to talk about Empire Theatres and our investments in Wajax Income Fund.

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Empire Theatres continued to benefit from strong theatre attendance, same-theatre revenue growth and enhanced operational improvements. Revenues for fiscal 2009 increased 6 per cent to 168 million, driven by a steady stream of popular movie releases and the determination of our people to improve the movie-going experience. The continued implementation of new technologies, along with alternative programming, has enriched the entertainment experience for our customers. Wholly-owned Empire Theatres remains the second-largest movie exhibitor in Canada with 51 locations and 377 screens in eight provinces across the country. We look forward to Stuart Fraser, who's the Chief Executive Officer, and his team through their continued growth and efforts to improve this business.

While Wajax Income Fund had an excellent start to our fiscal year, however, as the economy weakened, the company prudently reduced its distributions to \$0.20 per unit. And during the 52 weeks ended May 2nd, 2009, Empire's equity accounted earnings, generated from our 27.6-per-cent interest in Wajax, declined 6.1 per cent to \$18.5 million, much of that decline occurring in our fourth quarter. Wajax management expects markets will remain soft for the balance of their calendar of 2009 and have

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taken steps to prudently further manage costs, infrastructure, and improve its working capital position.

And despite these challenges, we remain confident that Wajax is well positioned as economic conditions improve. It is a well-managed company with a strong competitive position in each of its chosen markets.

Now I'd like now to comment on Empire's first quarter results that were released this morning, and we are off to a good start. Consolidated revenues for the first quarter ended August 2nd, 2009 totalled 3.97 billion, up 190.3 million or 5 per cent over revenues in the first quarter of fiscal 2009. Sobeys recorded same-store sales growth of 4 per cent. Our earnings before capital gains and other items equalled 72.2 million, or \$1.05 per share as compared to 70.9 million, or \$1.08 per share last year.

You should note that per-share earnings were impacted by an equity issue of 2.7 million shares completed late in our fourth quarter of last year, resulting in a totalled shares outstanding of 68.5 million at the end of our first quarter.

A capital gain and other items, net of tax, totalled 17.5 million in the quarter versus 4.8 million last year primarily as a result of the settlement and a tax recovery of CRA of 17 million related to the sale of our Hanna(ph) Brother shares back in fiscal '01. This resulted in net earnings

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in the first quarter of 89.7 million, or \$1.31 per share versus 75.7 million, or \$1.15 per share last year. And our balance sheet continues to improve. With a ratio of net debt to capital ratio improving to 26.3 per cent from the 28.6 per cent at the start of the fiscal year.

Sobeys continues to be the main driver of our success. In the first quarter Sobeys reported revenue growth of 5.3 per cent, same-store sales growth of 4 per cent and operating earnings contribution to Empire of 121.6 million, up 15.3 million, or 14.4 per cent from last year.

Residential property, income contribution in the first quarter was 5.1 million, a decrease of 8.6 million from the 13.7 million recorded in the first quarter of last year, as a result, as I mentioned, of lower residential sales activity.

Crombie REIT's contribution and contributed 4.9 million to our operating income in the first quarter versus 4.6 million contribution in the first quarter of last year. And our equity accounted earnings generated from the company's 27.6-per-cent interest in Wajax's Income Fund amounted to 2.7 million in the first quarter versus 5.5 million in the first quarter of last year. Both our residential real estate and Wajax's earnings contributions were below last year due to the cyclical nature, as I mentioned, of these businesses.

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Going forward, our key priorities have not changed. First, we intend to remain focused on our core strengths in food retailing and real estate. Sobeys has been able to continue to grow sales and profitability in a competitive market; but we are not complacent. We will continue to support Sobeys as it innovates, expands and grows in a manner that supports their goal of being widely recognized as the best food retailer in our country and we continue to intend to remain committed to the development of free-standing grocery stores and food-anchored shopping plazas as ECL Developments continues to build on the synergies between Sobeys and our real estate operations.

In closing, I would like to assure you that we will continue to work hard to build long-term sustainable shareholder value for our shareholders through continued operational excellence, innovation, and disciplined growth.

Bill and I would like to thank our dedicated and outstanding employees, franchisees and affiliates of the Empire group of companies who have stayed focused on our plans and have again delivered solid results. Our corporate success and sustainability has been made possible by the skill and the dedication of our management teams and the contribution of the more than 90,000 employees, franchisees, and affiliates

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of the Empire group of companies. They have been instrumental, instrumental in creating a successful and exciting organization, and that success has in turn created a winning environment. And on behalf of the board and the shareholders, we offer you a thank you, a sincere thank you for your ongoing efforts and dedication. And we as shareholders and management are indeed fortunate to have such an outstanding pool of talent that comprises our board of directors. And on behalf of our shareholders and management, I would like to personally thank them for sharing their insights and offering their guidance. They have fulfilled their fiduciary role as stewards of shareholders' interest with diligence and integrity.

And finally, I would like to express my appreciation to our shareholders. Your confidence and trust at a time when the capital markets during the past year had been so turbulent is truly gratifying. With the continued guidance of our board, the support of our customers, as well as our affiliates, franchisees, managers and employees, we are confident that Empire will continue to prosper in the years ahead. Thank you very much.

(applause)

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ROB DEXTER: Is there any other business from the floor? My favourite part: are there any questions from the floor? Going once. I rarely go to three. Do you see any? I don't see any. Okay, we're moving on.

May I have a motion to terminate the meeting?

CAROL: (Off microphone).

ROB DEXTER: Thanks, Carol. Is there a seconder?

STUART: (Off microphone).

ROB DEXTER: Thank you, Stuart. All those in favour? Opposed. Okay, I now declare to motion carried and the meeting terminated.

Thank you all for attending. Of course, you're all welcome back to Crombie for lunch.

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