Food Retail Environment

- Deflation has been a significant factor over the past year
  - Promotional intensity and weights
  - Competitive responses
  - “Market” versus cost based pricing
- Early indications of “balanced” inflation as costs increase
- Operating costs continue to rise
- More square footage on the way
- More players > More choices > More “shop shifting”
Sobeys progress continues

- FreshCo rolling out and taking root on track
- Next generation Full Service Format underway
  - IGA extra, Sobeys, Thrifty
- Lawtons, Foodland, Needs and Urban Fresh all solid
- Distribution upgrades continue – Automated Quebec DC
- SAP Quebec implementation on track
- Stronger management and growing “bench” strength
- Enabling tools, processes and disciplines in place
Sobeys going forward

• Stay the course…
  - Long term health and sustainability
  - Stores at standard
  - Competitive posture
  - Innovation & Service superiority
  - People development
  - Execute well and consistently

• However…
  - Accelerate productivity and efficiency initiatives
  - Accelerate application and harvest of Customer Insights