Forward-Looking Information

This document contains forward-looking statements which are presented for the purpose of assisting the reader to contextualize the Company’s financial position and understand management’s expectations regarding the Company’s strategic priorities, objectives and plans. These forward-looking statements may not be appropriate for other purposes. Forward-looking statements are identified by words or phrases such as “anticipates”, “expects”, “believes”, “estimates”, “intends”, “could”, “may”, “plans”, “predicts”, “projects”, “will”, “would”, “foresees” and other similar expressions or the negative of these terms. These forward-looking statements include, but are not limited to, the following items: (i) the Company’s expectations relating to the timing of mitigation and remediation of organizational, training and education gaps related to IT system, process integration and reorganizational changes at Safeway, which may be delayed by further unforeseen challenges; and (ii) the Company’s expectations relating to the operational challenges being faced in Western Canada, primarily in the Safeway banner, which may be impacted by a number of factors including the under performance in the first three quarters of fiscal 2016 and future mitigating strategies employed.

By its very nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks, uncertainties and other factors which may cause actual results to differ materially from forward-looking statements made. For more information on risks, uncertainties and assumptions that may impact the Company’s forward-looking statements, please refer to the Company’s materials filed with the Canadian securities regulatory authorities, including the “Risk Management” section of the Company’s Annual Information Form and Annual MD&A. The list of factors is not exhaustive and other factors could also adversely affect results.

Although the Company believes 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. 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 do not take into account the effect of transactions occurring after the statements have been made on the Company’s business. The forward-looking information in this document reflects the Company’s current expectations and is subject to change after this date. The Company does not undertake to update any forward-looking statements that may be made by or on behalf of the Company other than as required by applicable securities laws.
Empire at a Glance

Sales ($ in billions)  
Adjusted Net Earnings from Continuing Operations ($ in millions)  
Book Value ($ per share)

Fiscal 2006

$24.1B  
$459.5M  
$16.98

Last 12-months

No. 2
SECOND LARGEST FOOD RETAILER WITH ANNUALIZED SALES IN CANADA OF ~$24.1B & OVER 1,800 STORES IN 10 PROVINCES

GROWTH
SIGNIFICANT COAST TO COAST PRESENCE

PHARMACY
CANADA'S SECOND LARGEST PHARMACY RETAILER WITH 349 IN-STORE & 78 FREESTANDING PHARMACIES

WHOLESALE
LARGEST WHOLESALER IN CANADA & OUR TWO AUTOMATED DCs POSITION US WELL FOR FUTURE GROWTH

FUEL
OVER 350 RETAIL FUEL LOCATIONS UNDER FAST FUEL, SAFEWAY GASOLINE, & SHELL BANNERS

REAL ESTATE
41.5% EQUITY INTEREST IN CROMBIE REIT & ~40% EQUITY INTEREST IN GENSTAR
Q3/F16: Integration & Operational Challenges Amplified by Economy

• Sales increased 1.5% y/y to $6.03 B.
  • SSS excluding fuel of 0.6% (SSS excluding West retail business of 2.7%).
    • Safeway traffic impacted by lingering impact of H1 F2016 issues and western economic challenges.
• Adjusted EBITDA decreased 14.9% to $262.9 M
  • Gross profit margin contracted 130 bps to 23.6%.
  • Sales decrease combined with intensified promotional penetration across the Western region.
  • Continuity program and inventory adjustment had an adverse impact on gross margin.
  • Sobeys SG&A rate improved 31 bps to 20.0%.
Fix Initiatives to Date

• **Private Label:** Stabilized unfavorable Safeway private label sales trend and seeing improvement in Compliments acceptance.

• **Western Canada Produce:** Produce Quality and service level back to normal.

• **Safeway Meat Program:** Introduced our new meat program in Safeway stores leveraging our market leading program at Sobeys.

• **Margin Management:** Controls in produce and meat were fully operational and managed to our satisfaction by the end of Q3 F2016.

• **People:** Last phase of transition in Q4 F2016.
Three Pronged Plan to Restore Sales and Margins Out West

1. Price Perception: Address the structural changes in customer behavior with innovative, sustainable pricing strategies.

   • **First:** Launch of the affordable produce and meat campaign (launched in Western Canada on January 29, 2016).

   • **Then:** Rollout of the Simplified Buy & Sell initiative which is aimed at restructuring centre store pricing structure.

This will enable better category management and ultimately improve shelf price competitiveness.
2. Store Renewals

- Continued rollout of our new concept stores. Currently have 24 new concept stores.
- Accelerate capital investment across our Western Canada business in the coming quarters.
- Allocate significant capital in renovating stores within markets where we can deliver a differentiated experience.
- New concept stores in both Western Canada and across the country continue to resonate well with customers yielding significantly higher same-store sales growth relative to conventional banners/formats.
New Concept Stores

• 24 new Sobeys, Sobeys extra, IGA extra, and Sobeys Urban Fresh concept stores and counting.

• 8 stores under construction/renovation for calendar 2016.
3. Drive Efficiencies

• Remain focused on driving efficiencies in our distribution and logistics network in the West and across the country:
  • Closing Butler retail support centre near Victoria in fiscal 2017 and ending a service contract with another facility in the lower mainland B.C.
  • Expect to finalize end-stage requirements for the full Alberta distribution network by Q4 F2016.
  • Installing automation in the Rocky View facility to more efficiently supply dry grocery to Alberta, Saskatchewan, and part of Manitoba.
• Reduce marketing costs and leverage economies of scale for promotional and loyalty activities through Western Canada banner rationalization.
Why Invest in Empire?

• Long term growth with the Canada Safeway acquisition

• Commitment to *Better Food for All*

• Diversified sales, earnings and growth opportunities across Canada

• Undervalue compare to competitors

• Modern and scalable infrastructure
Thank you