

Delivering *long-term value*

In fiscal 2013, Empire shares generated a total return of 21.0 percent compared to 8.1 percent for the S&P/TSX Composite Index and, subsequent to fiscal year-end, rewarded investors with 18 consecutive years of increasing dividends. Over the past 20 years, Empire shares have provided an annual average total return of 13.5 percent.



This performance has been made possible by our steadfast focus on food retailing and related real estate – businesses that serve the essential, everyday needs of Canadians. We have been at these businesses for many decades and with the benefit of significant family ownership, have pursued a growth strategy focused on long-term sustainable value creation rather than short-term financial performance. This approach can be seen in the careful investments behind Sobeys' growth into a leading national food retailer, the creation of Crombie REIT to facilitate Sobeys' expansion across the country and the development of an increasingly effective partnership between these two businesses.

As Paul Sobey mentioned in his letter, we recently announced one of our most important investments yet with the planned \$5.8 billion purchase of Canada Safeway. This leading Western Canada grocer is an excellent strategic fit given its similar food-focused strategy, skilled management team, strong corporate culture, and complementary market position in the region's largest and fastest growing population centres. Over the past 15 years, the senior management teams at Empire and Sobeys have done a great job acquiring, financing and integrating several attractive businesses to support Sobeys' growth into a leading national food retailer. Accordingly, we are confident this most recent acquisition will make a strong contribution to Empire's ongoing record of value creation.

On behalf of the Company's shareholders, the Board plays an active role in establishing strategy and monitoring the performance of all of Empire's operations. A key responsibility is to ensure that appropriate training, development and succession planning policies and practices are in place. It is also our responsibility to understand the major risks that could impact

“With the benefit of significant family ownership, we have pursued a growth strategy focused on long-term sustainable value creation rather than short-term financial performance.”

Robert P. Dexter
Chair, Empire Company Limited

the Company's performance. Empire has well-established enterprise risk management policies and procedures, as well as risk mitigation strategies in place throughout our operations and the Company's Chief Internal Auditor provides extensive reporting to the Audit Committee each quarter.

Going forward, the Board will continue to ensure our corporate governance practices reflect the highest possible standards. Our progress is guided by a capable group of seasoned Board members that includes Sobey family representatives and a majority of independent directors. This unique mix creates a healthy and challenging boardroom dynamic that serves the interests of all shareholders while allowing us to focus on the long-term growth and development of Empire's businesses.

In closing, I would like to extend the Board's heartfelt thanks to Marcel Côté who will be retiring from Empire's Board at this year's Annual General Meeting following 15 years of outstanding service to both Sobey's and Empire. I am also very pleased to welcome Cynthia Devine, Chief Financial Officer of Tim Hortons Inc., who joined the Board in January and Kevin Lynch, Vice Chair of BMO Financial Group, both of whom will be standing for election at the Annual General Meeting this September 2013. In addition, Bonnie Brooks, President of Hudson's Bay Company and Martine Turcotte, Vice Chair, Québec BCE Inc. and Bell Canada, who joined our Board in 2012, will also be standing for re-election in September 2013. These accomplished individuals add considerable retail and financial expertise to our Board.

Finally, as Chair, and on behalf of the entire Board, I would like to thank the thousands of people in Empire's operating companies, franchisees, affiliates, and the management teams at Empire and its direct and affiliated operations for delivering another year of strong performance. Thanks to their efforts, we have been able to keep delivering value to shareholders while strengthening our foundation for continued success.



ROBERT P. DEXTER
Chair
Empire Company Limited
June 27, 2013

