EMPIRE

COMPANY LIMITED

ANNUAL INFORMATION FORM

Year Ended May 5, 2012

July 20, 2012

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

All disclosure for Empire Company Limited ("Empire" or "the Company") is as of fiscal year-end, May 5, 2012, unless otherwise indicated.

This Annual Information Form ("AIF") contains forward-looking statements which reflect management's expectations regarding the Company's objectives, plans, goals, strategies, future growth, financial condition, results of operations, cash flows, performance, business prospects and opportunities. All statements other than statements of historical facts included in this AIF, including statements regarding the Company's objectives, plans, goals, strategies, future growth, financial condition, results of operations, cash flows, performance, business prospects and opportunities may constitute forward-looking information. Expressions such as "anticipates", "expects", "believes", "estimates", "could", "may", "plans", "will", "would", and other similar expressions or the negative of these terms are generally indicative of forward-looking statements.

These statements are based on Empire management's reasonable assumptions and beliefs in light of the information currently available to them. The forward-looking information contained in this AIF is presented for the purpose of assisting the Company's security holders in understanding its financial position and results of operations as at and for the periods ended on the dates presented and the Company's strategic priorities and objectives and may not be appropriate for other purposes. By its very nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks and uncertainties which give rise to the possibility that the Company's predictions, forecasts, expectations or conclusions will not prove to be accurate, that the Company's assumptions may not be correct and that the Company's objectives, strategic goals and priorities will not be achieved. Although the Company believes that 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. Such forward-looking information is not fact but only reflects management's estimates and expectations. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These factors include but are not limited to: changes in general industry, market and economic conditions, competition from existing and new competitors, energy prices, supply issues, inventory management, changes in demand due to seasonality of the business, interest rates, changes in laws and regulations, operating efficiencies and cost saving initiatives. In addition, these uncertainties and risks are discussed in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the Risk Management section of the Company's annual Management's Discussion and Analysis for the 52 weeks ended May 5, 2012, which is incorporated by reference into this AIF, a copy of which has been filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Empire cautions that the list of important factors is not exhaustive and other factors could also adversely affect its results. 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 may not take into account the effect on the Company's business of transactions occurring after such statements have been made: for example, dispositions, acquisitions, asset write-downs or other changes announced or occurring after such statements are made may not be reflected in forward-looking statements. The forward-looking information in this AIF reflects the Company's expectations as of the date of this document, and is subject to change after this date. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company other than as required by applicable securities laws.

These forward looking statements include, but are not limited to the following items:

- Sobeys Inc.'s ("Sobeys") expectations that administrative and business rationalization initiatives as well as system process initiatives in prior years and upcoming quarters will have a cost impact as expected and will provide annualized cost reductions thereafter, both of which could be impacted by the final scope and scale of these initiatives;

- Sobeys' expectations relating to the acquisition of 236 retail gas locations and related convenience store operations from Shell Canada and the accompanying fuel volumes which may be impacted by demand;

- Sobeys' expectations regarding the timing of the new distribution centre under construction in Québec and that it will reduce overall business costs which could be impacted by construction delays and the number of positions eliminated at other distribution centres, respectively;

- Our expectation that the strength of Sobeys' relationship with Crombie Real Estate Investment Trust ("Crombie REIT"), combined with our strict investment discipline, will prove to be a sustainable competitive advantage and positively correlate to the enhancement of Empire's shareholder value, which may be impacted by commercial real estate market conditions and the availability of mutually desirable properties for development and sale by Sobeys and for purchase by Crombie REIT;

- Property development plans which may be impacted by the identification and availability of attractive sites, the availability of capital, the approval of zoning requirements and general economic conditions; and

- The Company's understanding of competitive, demographic, lifestyle, health and other trends and its ability to continue to adapt to these trends.

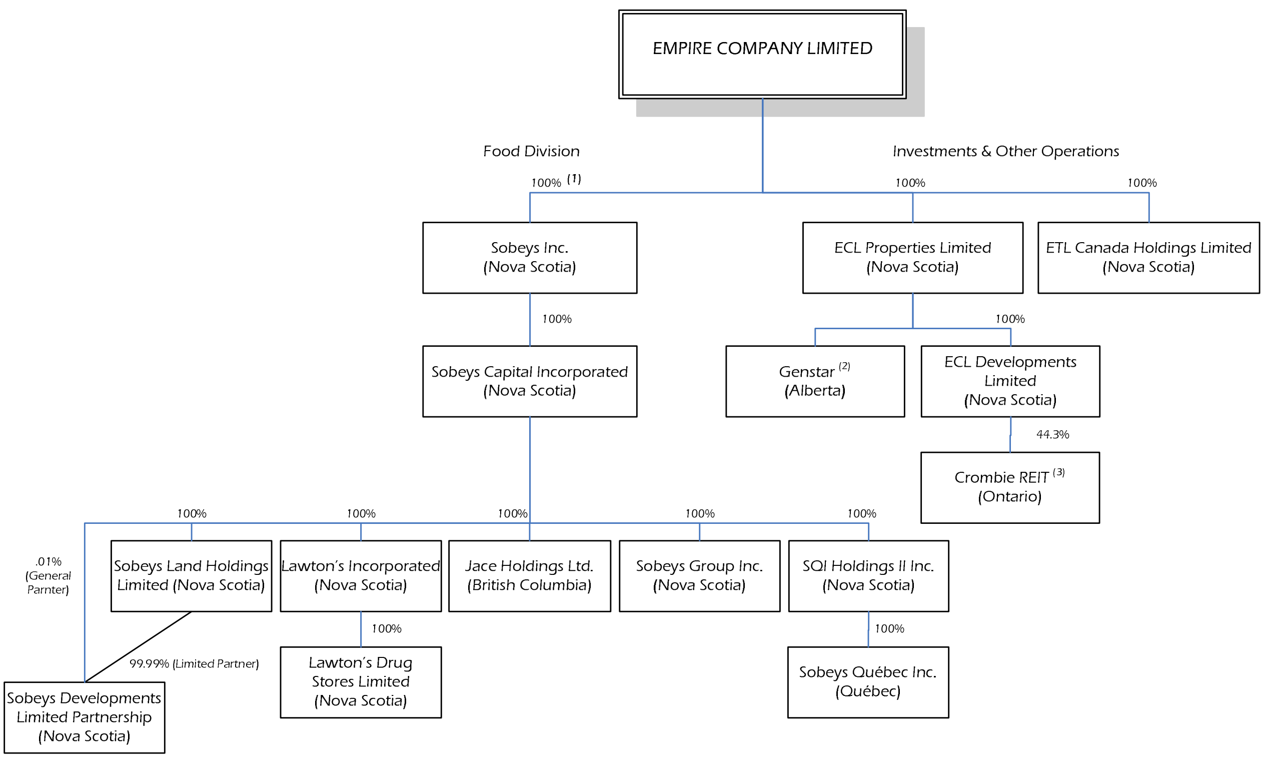
CORPORATE STRUCTURE

Name and Incorporation

Empire Company Limited was created by amalgamation under the *Companies Act* (Nova Scotia) on January 31, 1973. Predecessors of Empire had been carrying on business since 1907. Empire's head office is located at 115 King Street, Stellarton, Nova Scotia. In this AIF, **"**Empire**"** or the "Company" is used to refer collectively to Empire Company Limited and all of its subsidiaries, except where the context requires otherwise.

Intercorporate Relationships

The following chart shows the names of the principal subsidiaries of Empire, their respective jurisdictions of incorporation, and the percentages of voting and non-voting securities owned by Empire as of May 5, 2012.



Notes:

(1) Empire owns 27.9% of Sobeys Inc. directly and the balance (72.1%) indirectly through subsidiaries including Empro Holdings Limited (Nova Scotia) and Emplink Investments Limited (Nova Scotia).

(2) ECL Properties Limited indirectly holds a 40.7% interest in Genstar Development Partnership (Alberta) and a 45.9% interest in Genstar Development II Partnership (Alberta), a 42.1% interest in each of GDC Investments 4, L.P., GDC Investments 5, L.P., and GDC Investments 6, L.P. and a 42.5% interest in GDC Investments 7, L.P. (collectively referred to as "Genstar")

(3) Empire owns Class B Limited Partnership Units of Crombie Limited Partnership (Nova Scotia) which are exchangeable into and equivalent to units of Crombie REIT and represented a 44.3% indirect ownership interest in Crombie REIT as of May 5, 2012 (40.7% on a fully diluted basis). A Special Voting Unit of Crombie REIT is attached to each Class B Limited Partnership Unit.

GENERAL DEVELOPMENT OF THE BUSINESS

Empire Company Limited (TSX symbol: EMP.A) is a Canadian company headquartered in Stellarton, Nova Scotia. Empire's key businesses include food retailing and corporate investment activities. Guided by conservative business principles, Empire's primary objective is to maximize the long-term sustainable value of Empire through enhancing the worth of the Company's net assets and, in turn, having that value reflected in Empire's share price. This is accomplished through direct ownership and equity participation in businesses that management knows and understands and believes to have the potential for long-term sustainable growth and profitability, specifically food retailing, real estate and corporate investments.

Over the past three years, Empire has strengthened its businesses through capital investments and continued execution of the operating plans of each business. As a result of the Company's transition to IFRS, the Company's financial results are segmented into two separate operating segments: food retailing and investments and other operations. The developments of these segments of the Company's business over the past three fiscal years are discussed in the following sections.

Food Retailing

Empire's food retailing business is carried on through its wholly-owned subsidiary, Sobeys, which is headquartered in Stellarton, Nova Scotia. Sobeys is a leading national grocery retailer and food distributor. A wholly-owned subsidiary of Empire as of June 15, 2007, Sobeys owns or franchises more than 1,500 stores in all ten provinces under retail banners that include Sobeys, IGA *extra*, Thrifty Foods, IGA, Foodland and FreshCo. Sobeys is committed to providing the most worthwhile experience for its customers, employees, franchise affiliates, suppliers and shareholders.

Over the previous three fiscal years, Sobeys has continued to grow and develop as a leading Canadian grocery retailer and food distributor. Sobeys has made significant investment during this period to support that growth, through property and equipment purchases totaling $567 million in fiscal 2012, $604 million in fiscal 2011 and $341 million in fiscal 2010.

Fiscal 2012

Sobeys' strategy is focused on delivering the best food shopping experience to its customers in the right-format, right-sized stores, supported by superior customer service. The five distinct store formats deployed by Sobeys to satisfy its customers' principal shopping requirements are the full service, fresh service, community service, discount service and convenience service formats. Sobeys remains focused on improving the product, service and merchandising offerings within each format by expanding and renovating its current store base, while continuing to build new stores.

During fiscal 2012, Sobeys opened, replaced, expanded, renovated, acquired and/or converted the banners in 324 stores. This included the March 15, 2012 acquisition of 236 retail gas stations and related convenience store operations in Quebec and Atlantic Canada from Shell Canada. The network acquired includes corporate owned and dealer operated locations, and is expected to have annual fuel volumes in excess of one billion litres.

In fiscal 2012, Sobeys continued to execute a number of initiatives in support of its food-focused strategy including product and service innovations, productivity initiatives, and business process, supply chain and system upgrades.

One example of these initiatives is the continued conversion of Price Chopper stores to FreshCo discount stores in the province of Ontario. During the 52 weeks ended May 5, 2012, Sobeys opened or converted 11 additional FreshCo discount stores bringing the total number of FreshCo stores to 68 at fiscal year-end. These FreshCo discount stores offer low prices without many of the compromises which would typically be experienced at traditional discount grocery retailers. FreshCo shoppers enjoy fresh merchandise at low prices, with an expanded selection of meats and produce, including high quality choices and seasonal, locally-produced products. For the year ended May 5, 2012, Sobeys incurred $0.6 million in start-up costs excluding fixed asset write-offs related to this initiative.

On October 13, 2011, Sobeys announced an organizational realignment and corresponding leadership appointments. Two business units were formed, each led by a President of Operations. Sobeys Multi-Format Operations encompasses all banners outside of Québec and Sobeys IGA Operations consists of all banners within Québec. Lawton's Drug Stores remains a separate division of Sobeys. Total costs associated with this initiative for fiscal 2012 were $9.2 million. These expenses were mainly consulting and severance costs of $6.7 million and $2.5 million, respectively, for the year.

The business process and information systems implementation in Québec began during the first quarter of fiscal 2010. The business process and system initiative costs primarily include labour, implementation and training costs associated with these initiatives. During fiscal 2012, $13.2 million of pre-tax costs were incurred related to these initiatives.

On January 28, 2011, Sobeys announced plans to build a new distribution centre in Terrebonne, Québec, utilizing the same automated equipment and technology as the Vaughan, Ontario distribution centre. The new facility is expected to become operational during the second half of fiscal 2013 and will allow the Company to significantly increase its warehouse and distribution capacity in Quebec, while reducing overall distribution costs and improving service to its store network and customers. During fiscal 2012, Sobeys recognized $4.9 million of pre-tax costs excluding capital asset additions associated with this initiative.

Fiscal 2011

During fiscal 2011, Sobeys opened, replaced, expanded, renovated, acquired and/or converted 124 stores, including 57 FreshCo discount stores that were either opened or converted from Price Chopper stores. For the year ended May 7, 2011 Sobeys incurred approximately $6.0 million in pre-tax start-up costs excluding fixed asset write-offs related to the FreshCo initiative. In the second quarter of fiscal 2011, Sobeys recorded $16.1 million in pre-tax costs associated with the closure of Price Chopper banner stores in Ontario.

During fiscal 2011, $11.5 million of pre-tax costs were incurred related to the business process and information systems implementation initiatives in Québec.

During fiscal 2011, $5.4 million in pre-tax severance costs were incurred due to the closure of the Brantford, Ontario distribution centre.

During fiscal 2011, Sobeys recognized $6.2 million of pre-tax costs excluding capital asset additions associated with the development of the automated distribution facility in Terrebonne, Québec.

Fiscal 2010

During fiscal 2010, Sobeys opened, replaced, expanded, renovated, acquired and/or converted 76 stores. In fiscal 2010, Sobeys continued to execute a number of initiatives in support of its food-focused strategy including product and service innovations, productivity initiatives and business process, supply chain and system upgrades.

During the fourth quarter of fiscal 2010, Sobeys incurred $5.0 million in pre-tax start up costs and fixed asset write-offs related to the FreshCo initiative, as previously outlined.

During fiscal 2010, $11.3 million of pre-tax costs were incurred related to the business process and information systems implementation initiatives in Québec.

During fiscal 2010, Sobeys opened a new automated distribution facility in Vaughan, Ontario.,

No costs due to rationalization of administrative functions were incurred by the Company in fiscal 2010.

Investments and Other Operations

Investments and Other Operations consist primarily of: a 44.3 percent (40.7 percent fully diluted) equity accounted interest in Crombie REIT, a Canadian real estate income trust investing in income-producing retail, office and mixed-use properties in Canada; a 40.7 equity accounted interest in Genstar Development Partnership, a 45.9 percent equity accounted interest in Genstar Development Partnership II, and 42.1 percent equity accounted interest in each of GDC Investments 4, L.P., GDC Investments 5, L.P., and GDC Investments 6, L.P., and a 42.5 percent equity accounted interest in GDC Investments 7, L.P. (collectively referred to as “Genstar”), which is a residential property developer with operations in select markets in Ontario, Western Canada and the United States; wholly-owned ETL Canada Holdings Limited (“Empire Theatres”) which is the second largest movie exhibitor in Canada; and Kepec Resources Limited (“Kepec”), a party to a joint venture with APL Oil and Gas Limited which has ownership interests in various oil and gas properties in Alberta.

Fiscal 2012

On October 20, 2011, Crombie REIT closed a bought-deal public offering of units at a price of $12.85 per unit. In satisfaction of its pre-emptive right with respect to the public offering, the Company subscribed for $30.0 million of Class B limited partnership units (which are convertible on a one for one basis into units of Crombie REIT).

On March 29, 2012, Crombie REIT closed a bought-deal public offering of units at a price of $14.50 per unit. Concurrent with the public offering, a wholly-owned subsidiary of the Company subscribed for approximately $53.0 million of Class B limited partnership units (which are convertible on a one-for-one basis into units of Crombie REIT). As a result of the Company’s subscriptions of Class B limited partnership units and the conversion of Crombie REIT debentures throughout the year, the Company’s interest in Crombie REIT was reduced from 46.4 percent to 44.3 percent. On a fully diluted basis (assuming conversion of all outstanding convertible securities of Crombie REIT) the Company’s interest in Crombie REIT would be approximately 40.7 percent.

During the year, fixed rate secured mortgages provided to Crombie REIT in the amount of $5.6 million were repaid in their entirety. During the 52 weeks ended May 5, 2012, the Company received interest income related to the secured mortgages of $0.2 million.

During fiscal 2012, the Company sold nine properties to Crombie REIT, seven of which were leased back. Cash consideration received for the properties was recorded at exchange amount of $123.9 million, resulting in a pre-tax gain of $12.4 million, which has been recognized in the consolidated statements of earnings. The Company acquired a property from Crombie REIT for $5.0 million, which management believes is equal to the fair market value of the property. As the property was leased by the Company from Crombie REIT, an additional $2.0 million was paid for the cancellation of the lease and recognized in the consolidated statements of earnings, with total cash consideration paid of $7.0 million.

During the first quarter of fiscal 2012, Empire increased its ownership interest in Genstar Development Partnership II from 44.8 percent last year to 45.9 percent. In the fourth quarter of fiscal 2012, GDC Investments 7, L.P. was formed in which Empire holds a 42.5 percent equity accounted interest.

During the first quarter of fiscal 2012 Empire Theatres entered into a joint venture with Cineplex Inc. to create the Canadian Digital Cinema Partnership ("CDCP"). CDCP was created to plan and implement the deployment of digital projection equipment in the two partners' theatres including the procurement of equipment, arranging financing, and securing digital deployment agreements with studios and other content providers. Empire accounts for its investment in CDCP using the equity method.

On March 9, 2012, Empire Theatres completed its digital cinema conversion project with 359 screens in 45 theatres having been converted from 35mm to digital projection. As a result of this conversion, 40 percent of Empire Theatres' screens now have RealD 3D capability, which is the world's most widely used 3D movie technology.

As at May 5, 2012, Empire Theatres operated 390 screens in 51 locations in eight provinces from coast-to-coast.

Fiscal 2011

During fiscal 2011, Empire's internal property development function was reorganized within Sobeys, with Sobeys acquiring 12 properties from subsidiaries of ECL Properties Limited ("ECL"), a wholly-owned subsidiary of Empire, at their carrying value of approximately $83.0 million. This reorganization better aligns Empire's real estate development function with the combined interests of Sobeys and Empire. Prior to the reorganization, ECL Developments Limited ("ECL Developments") carried out Empire's internal property development function. The development function is now carried out by a wholly-owned subsidiary of Sobeys, Sobeys Developments Limited Partnership ("SDLP").

On August 4, 2010 Crombie REIT closed a bought-deal public offering of units at a price of $11.05 per unit. In satisfaction of its pre-emptive right with respect to the public offering, Empire subscribed for $20.5 million of Class B Limited Partnership units (which are convertible on a one-for-one basis into units for Crombie REIT). Consequently, the Company's interest in Crombie REIT was reduced from 47.4 percent to 47.0 percent.

During fiscal 2011, Crombie REIT issued 894,777 units as Series B and Series A convertible debentures that were converted to units. This conversion further reduced Empire's interest in Crombie REIT to 46.4 percent. On a fully diluted basis (assuming conversion of all outstanding convertible securities of Crombie REIT), the Company's interest in Crombie REIT was approximately 40.4 percent.

During fiscal 2011, subsidiaries of the Company sold 12 commercial properties to Crombie REIT, all of which were leased back. The net cash proceeds were $104.0 million, which was fair market value. Since these sales were to an equity accounted investment, only the portion of gains equal to the external ownership percentage interest in Crombie is included in earnings. The portion of gains equal to the Company's ownership interest is deferred and reduces the carrying value of the Company's equity investment in Crombie REIT.

On October 5, 2010, Empire sold its 27.5 percent ownership interest in Wajax Income Fund for net proceeds of $115.3 million and a resulting net capital gain of $76.2 million. The net proceeds were used to reduce Empire's direct bank indebtedness and to purchase for cancellation under Empire's Normal Course Issuer Bid ("NCIB") a total of 513,579 Non-Voting Class A shares.

Fiscal 2010

During fiscal 2010, ECL Developments continued to work with Sobeys, Lawtons and Crombie REIT to generate commercial property development opportunities. By the end of fiscal 2010, ECL Developments had 20 projects in various stages of development, representing approximately 1.7 million square feet of gross leaseable area ("GLA").

During fiscal 2010, Empire increased its percentage interest in Genstar Development Partnership from 35.7 percent to 40.7 percent and in Genstar Development II Partnership from 43.4 percent to 44.8 percent.

On June 25, 2009, Crombie REIT closed a bought-deal public offering of units at a price of $7.80 per unit. In satisfaction of its pre-emptive right with respect to the public offering, the Company subscribed for approximately $30.0 million of Class B Limited Partnership units (which are convertible on a one-for-one basis into units of Crombie REIT). Consequently, the Company's interest in Crombie REIT was reduced from 47.9 percent at the end of fiscal 2009 to 47.4 percent at the end of fiscal 2010.

During fiscal 2010, ECL Developments sold eight commercial properties to Crombie REIT for net cash proceeds of $52.6 million, which was fair market value. Proceeds from these property sales were used by ECL to reduce its bank indebtedness.

Corporate

During the third quarter of fiscal 2012, the Company redeemed all of its 164,900 Series 2 Preferred Shares outstanding, in accordance with their terms. The Series 2 Preferred Shares were redeemed at a price of $25 per share plus an amount equal to all dividends accrued and unpaid to January 31, 2012.

On September 30, 2009, the Company purchased $10.0 million of convertible unsecured subordinated debentures (the "Debentures") from Crombie REIT, pursuant to a bought-deal prospectus offering totalling $85.0 million. The Debentures have a maturity date of June 30, 2015. The Debentures have a coupon of 6.25 percent per annum and each $1,000 principal amount of Debenture is convertible into approximately 90.9091 units of Crombie REIT, at any time, at the option of the holder, based on a conversion price of $11.00 per unit. The Debentures have been classified as available-for-sale and are included in investments, at realizable value.

Trends

Over the past decade, there have been considerable changes in food retailing reflecting new competitive pressures as well as the changing demographics, lifestyle choices and preferences of Canadians. With the aging of the baby-boom generation and the rise of dual career families, Canadians place greater value on service and convenience. This has fueled the increasing popularity and demand for ready-to-eat, ready-to-serve products as well as significant growth in frozen foods. As well, the multicultural complexion of the country has evolved, as has consumer focus on health and wellness. All of these trends have been driving demand for greater diversity and choices in food. In addition, Canadians are becoming increasingly more informed, and concerned, about the sources, quality, environmental impact and sustainability of their food choices, thereby placing greater expectations on those that produce and sell food.

At the same time, the entire retail landscape continues to blur, as major retailers across many channels look for a larger share of each customer's wallet and seek to leverage their real estate investments by providing a broader array of non-traditional offerings in their stores. Increasingly, many non-grocers are offering convenience food and grocery products. In addition, new mass merchandisers have entered Canadian markets in recent years and continue to expand their square footage. In fiscal 2009, food inflationary pressures were felt in several product areas and peaked during the fourth quarter. During fiscal 2010, retail food deflationary pressures were experienced across the industry and continued through fiscal 2011. In fiscal 2012, the Company experienced higher input costs without the associated retail price inflation.

All of these trends have resulted in broader consumer choice, greater value to the customer, increasingly intense competition and growing pressure on gross margins.

Since 2009, the Canadian economy has strengthened in a number of key areas, indicating that a modest economic recovery has taken place. However, concerns still exist as to the sustainability of the recovery given higher consumer debt levels and fragility of the U.S. economic recovery. Since the sharp contraction in liquidity in late 2008, credit and equity markets have improved which has helped reduce credit spreads and overall financing costs. Many Canadian companies, including Crombie REIT, have taken advantage of this improved credit environment to strengthen their financial position, improve liquidity and lower their cost of capital.

In light of the improving economic conditions and improved access to capital, capitalization rates began to contract after their expansion during the recession. This capitalization rate contraction has resulted in a positive impact to the unit prices of many REITs and the recent improvement in both the credit and equity markets have improved Crombie REITS' cost of capital to a level where accretive acquisitions are available. Low capitalization rates have also increased the supply of quality real estate available for sale due to attractive selling prices.

Management is confident that Sobeys, through SDLP, will continue to build shareholder value through the real estate and economic cycles with the strength of its relationship with Crombie REIT, combined with its strict disciplined approach,

Residential lot selling activity has rebounded but remains below historic highs. Volatile capital markets, the real estate slowdown and general economic conditions may affect the Canadian economy, which may impact our residential operations..

With respect to the movie-going experience, the trend has been for a more enriched entertainment experience through curved screens, stadium-style auditoriums, more comfortable seating, digital projection and 3D content, a broader array of concession products and other programming to complement the traditional filmed programming. Empire Theatres' strategy has been to bring these amenities to the markets it serves.

Reference is also made to the section titled "Description of the Business – Competition."

Significant Acquisitions

There were no acquisitions for Empire during fiscal 2012 that required the preparation and filing of a business acquisition report (form 52-102F4).

DESCRIPTION OF THE BUSINESS

The following is a brief description of each of Empire's operating segments. As a result of the Company's transition to IFRS, the Company's financial results are segmented into two separate operating segments: Food Retailing, and Investments and Other Operations. Segmented financial information for fiscal 2012 and 2011 is contained in the "Notes to the Consolidated Financial Statements", which is incorporated into this AIF by reference, a copy of which has been filed on SEDAR at www.sedar.com.

Food Retailing

Empire's food retailing segment is carried out through its wholly-owned subsidiary, Sobeys, which conducts business through more than 1,500 retail stores (corporately owned and franchised) operating in every province and in over 800 communities across Canada.

Sobeys' strategy is focused on delivering the best food shopping experience to its customers in the right-format, right-sized stores, supported by superior customer service. The five distinct store formats deployed by Sobeys to satisfy its customers' principal shopping requirements are the full service, fresh service, community service, discount service and convenience service formats. Sobeys remains focused on improving the product, service and merchandising offerings within each format by expanding and renovating its current store base, while continuing to build new stores. Sobeys' six major banners: Sobeys, IGA extra, Thrifty Foods, IGA, Foodland and FreshCo are the primary focus of these format development efforts.

At May 5, 2012, Sobeys had approximately 45,000 full and part-time employees.

The major businesses and/or regions of Sobeys, their respective geographic areas of operations and their respective operating subsidiary companies are:

BUSINESS/REGION	**GEOGRAPHIC AREA**	**SUBSIDIARY**
Sobeys Atlantic (corporate & franchise stores)	Atlantic Canada	Sobeys Group Inc.
Sobeys Québec (corporate & franchise stores)	Québec	Sobeys Québec Inc.
Sobeys Ontario (corporate & franchise stores)	Ontario	Sobeys Capital Incorporated
Sobeys West (corporate & franchise stores)	Western Canada	Sobeys Capital Incorporated
Lawtons (corporate & franchise drug stores)	Atlantic Canada	Lawton's Drug Stores Limited
Thrifty Foods (corporate stores)	British Columbia	Jace Holdings Ltd.

Operations

Sobeys employs a variety of store formats in its corporate and franchised retail operations, ranging from full service supermarkets to convenience stores, thereby enabling Sobeys to better tailor its offering to the various customer segments it serves.

Sobeys' overarching goal is to satisfy more of its current shoppers' requirements for food and related merchandise while earning the loyalty of more customers, resulting in higher sales and profit per square foot. As part of its strategy for growth, Sobeys goes to market through five distinct store formats:

Full Service Format Stores are food stores that are ready to serve the total food shopping requirements of our customers featuring the broadest assortment and specialty items designed for each unique market we serve – from sushi bars and kosher cuisine to health and wellness offerings. Full service format stores are intended to provide superior customer care – from full service meat, deli and seafood counters to the value-added food knowledge and expertise provided by our staff. Full service format stores are branded Sobeys, IGA *extra* or Thrifty Foods and are located throughout all regions.

Fresh Service Format Stores are food stores that are ready to serve the "fresh fill-in" and "today's meal" needs of customers and are intended to provide superior service and customized offerings. Fresh service format stores are branded Sobeys, Sobeys Urban Fresh or IGA, and are located in Western Canada, Ontario and Québec.

Community Service Format Stores are food stores that are ready to serve the "routine and fill-in" food shopping occasions of our customers in rural and one-store communities. Community service format stores are branded IGA, Foodland, Marché Bonichoix or Les Marchés Tradition, and are located throughout all regions.

Discount Service Format Stores are food stores that are ready to serve customers with low prices every day, in markets and for customers where price is the driving factor for store selection. Discount Service Format Stores are branded FreshCo or Price Chopper, and are located in Ontario and one store in Western Canada.

Convenience Service Format Stores are food stores that are ready to serve the "on-the-go" convenience needs of our customers. Convenience Service Format Stores are branded Needs or Bonisoir and are located in Atlantic Canada and Québec.

The franchise operations of Sobeys provide operational support to its franchisees and affiliated retailers in such areas as advertising, promotion, merchandising, purchasing, and store planning and design. The objective of this relationship is to provide these retailers with many benefits including a broad range of private label products, information systems, advertising and commercial programs. Sobeys operates franchised stores under the IGA, IGA *extra*, Sobeys, FreshCo, Price Chopper, Foodland, Bonichoix, Les Marchés Tradition and Lawtons Drug Stores banners, along with various retail gas sites.

A description of the geographic locations and banners of Sobeys retail stores, including the number of franchised and corporate stores, is provided in the attached Appendix A.

In addition to distribution to corporate and franchised stores, Sobeys provides wholesale distribution of a full range of products to affiliated retail stores and independent wholesale accounts. Sobeys' wholesale business is operated as Lumsden Brothers, a division of Sobeys Capital Incorporated, in Ontario and TRA Atlantic, a division of Sobeys Group Inc., in Atlantic Canada. Sobeys also operates "Cash & Carry" wholesale outlets in the West and Atlantic provinces to supply certain convenience store and restaurant operators.

Products and Programs

Sobeys' private label brand, *Compliments*, was re-launched in fiscal 2005 to accelerate the growth of company-wide profitability and capture a greater share of customers' food and grocery shopping requirements. The Sobeys' private label brand consists of three tiers: *Compliments, Sensations by Compliments* and *Signal.* In addition, Sobeys has introduced three *Compliments* sub-brands; *Compliments Organic; Compliments Balance* and *Compliments Greencare*, organic, healthy, and environmentally sustainable lines of products, respectively.

In fiscal 2012, Sobeys intensified its effort in marketing and promoting the *Compliments* and *Sensations by Compliments* branded offerings. Driven by a more focused commitment to private label in merchandising planning and support, and supported by stronger investments in the ongoing marketing of private label through digital media, in addition to an elevated presence in the Sobeys' proprietary *Inspired* Magazine, Sobeys' private label brands have shown gains in brand image, awareness and sales penetration. At the end of fiscal 2012, Sobeys had approximately 4,300 products under private label.

In fiscal 2011, Sobeys accelerated the packaging and design transition of its entire assortment to enhance customer quality perception and understanding of the overall private label offering. During the transition, Sobeys amended the assortment from 5,000 to 4,500 products. Significant progress was made in expanding the private label offer in superior quality and taste and healthier eating through the *Sensations by Compliments* and *Compliments Balance* product ranges, respectively. The *Signal* brand was introduced as a price entry point range to meet the requirements of highly price sensitive customers in particular categories. Nutritional profile improvements across the private label assortment were a continued focus throughout fiscal 2011, with particular emphasis on sodium reduction. Marketing of the private label program has been executed principally through Sobeys' proprietary food publication, *Inspired* Magazine, with successful results in driving consumer awareness, favourability and trial of the *Compliments* brand.

Fiscal 2010 saw the repositioning of the private label program. With distinctive new packaging and specific product enhancements well underway, the private label program more clearly communicates the attributes of the *Compliments* national brand equivalent and *Sensations by Compliments* affordable indulgence tiers. Sobeys launched the *Signal* brand in fiscal 2010 which replaced the *Compliments Value* brand. *Signal* is focused on satisfying the requirements of more price conscious customers by offering an assortment of everyday grocery basics from paper products to frozen food.

Sobeys offers its customers three reward programs: Club Sobeys (Sobeys stores in Ontario, Manitoba, Saskatchewan, Alberta and eastern British Columbia), Club Thrifty Foods (Thrifty Foods stores on Vancouver Island and the lower mainland) and AIR MILES® reward programs (certain banners in Québec and Atlantic Canada). These reward programs provide Sobeys' customers with discounts, the opportunity to participate in contests, and other loyalty rewards, while providing the company with increased customer loyalty and insight into customer buying habits as part of an overall customer relationship management strategy. These programs are further complemented by the BMO Sobeys AIR MILES® MasterCard, the BMO IGA AIR MILES® MasterCard, and the BMO Club Sobeys MasterCard.

Investments and Other Operations

Investment and Other Operations is composed of the Company's equity accounted investments in commercial and residential real estate (Crombie REIT and Genstar, respectively), as well as Empire Theatres and Kepec.

At the end of fiscal 2012, the market value of Empire's investment portfolio, including equity accounted investments in Crombie REIT and Genstar, equalled $679.7 million on a cost base of $326.4 million. The unrealized gain on these investments totalled $353.3 million at the end of fiscal 2012.

Competitive Strengths

- Our ownership interest in Crombie REIT, and its relationship with Sobeys, provides an opportunity to enhance the value of Sobeys' real estate development operations while also participating in Crombie REIT's success in third-party acquisitions.
- Our ownership interest in Genstar provides exposure to attractive residential real estate and insight into prospective food-anchored retail development.
- Wholly-owned Empire Theatres, the second largest movie exhibitor in Canada, has proven to be an attractive entertainment destination.

Strategic Priorities

- Ongoing development of SDLP's property pipeline which will be first offered for sale to Crombie REIT in support of its geographical diversification and profitable growth.
- Reinvesting cash distributions from Crombie REIT, Genstar and Empire Theatres to support their respective growth and development.

Crombie REIT

As at May 5, 2012, Empire, through wholly-owned ECL, holds a 44.3 percent ownership interest in Crombie REIT (40.7 percent on a fully diluted basis), which is an open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario. Crombie REIT is the largest owner and manager of commercial real estate in Atlantic Canada.

Crombie REIT invests in income-producing retail, office and mixed-use properties in Canada; its future growth strategy focused primarily on the acquisition of grocery-anchored retail properties. Its objectives are: to generate steady and maintainable cash distributions; to enhance asset value; to maximize long-term unit value through active management; to expand its asset base; and to increase cash available for distribution through accretive acquisitions. Crombie REIT is characterized by: its primary focus on grocery-anchored retail properties; its conservative approach to operational management through the continued reinvestment in its portfolio; and the long-term growth opportunities provided through its relationship with Empire and its subsidiaries.

As of March 31, 2012, Crombie REIT had a portfolio of 138 investment properties in eight provinces, comprising approximately 12.6 million square feet of GLA. More than 78 percent of the rentable space in Crombie REIT's portfolio is comprised of food or grocery-anchored shopping centres or freestanding stores. The tenant quality is considered high with approximately 66 percent of total minimum rents generated from high quality grocery or drugstore anchored community plaza or stand alone stores that meet everyday needs in their communities.

Pursuant to a development agreement dated March 23, 2006 between ECL and Crombie REIT, ECL provides Crombie REIT with a preferential right to acquire all property developments proposed to be undertaken by ECL. The agreement is for an initial 10-year term, subject to an extension reached by mutual agreement. During 2010, ECL transferred a number of its properties under development to SDLP. SDLP has confirmed to Crombie REIT that the terms of the development agreement will continue to apply to those properties acquired by SDLP from ECL.

In addition, subject to limited exceptions, pursuant to a Right of First Offer Agreement dated August 3, 2011, Sobeys (through SDLP), agreed to provide to Crombie a right of first offer to acquire any property that SDLP intends to dispose of other than to an affiliate of SDLP. The Empire group of companies will continue to work closely with Crombie REIT to identify suitable development opportunities.

Through its executive management and other employees, Crombie REIT provides general management, financial, leasing and other administration support services to certain real estate subsidiaries of Empire on a cost sharing basis. Pursuant to a management cost sharing agreement dated March 23, 2006 between ECL and Crombie REIT, property management services are provided by Crombie REIT for certain of the properties held by Empire. ECL provides an annual payment consisting of all direct and indirect costs incurred by Crombie REIT in providing services to ECL.

Genstar

Genstar is a residential real estate development company headquartered in San Diego, California, USA with offices in Ontario and western Canada. Genstar has an experienced and knowledgeable management team that focuses on attractive, residential land holdings in select growth markets.

Empire's equity position in the Genstar group of companies is as follows:

- A 40.7 percent equity accounted interest in Genstar Development Partnership;
- A 45.9 percent equity accounted interest in Genstar Development Partnership II;
- A 42.1 percent equity accounted interests in each of GDC Investments 4, L.P., GDC Investments 5, L.P., and GDC Investments 6, L.P.; and
- A 42.5 percent equity accounted interest in GDC Investments 7, L.P.

During fiscal 2010, Empire increased its interest in Genstar Development Partnership to 40.7 percent from 35.7 percent. During fiscal 2011 and 2012, Empire maintained its interest at 40.7 percent. Empire continues to be represented on Genstar's Board by the CFO of Empire and the President of ECL.

Empire Theatres

Investments and other operations includes wholly-owned Empire Theatres, the second largest movie exhibitor in Canada. As at May 5, 2012, Empire Theatres owned 390 screens in 51 locations, including five IMAX auditoriums and six Empire Extra auditoriums, in eight Canadian provinces. Empire Theatres' management is focused on identifying underserved and emerging markets in Canada which could be successfully developed on their own. Empire Theatres exhibits motion pictures and other alternative content (e.g. Metropolitan Opera). Empire Theatres continues to invest in and enhance the out-of-home motion picture experience for its guests through the introduction of features such as stadium seating, digital projection, RealD 3D, IMAX, and Empire Extra auditoriums in select markets.

Kepec

Kepec Resources Limited is a party to a joint venture with APL Oil and Gas, which is a small, privately owned junior oil and gas company based in Calgary, Alberta. APL Oil and Gas has ownership interests in various oil and gas properties throughout Alberta.

Growth

For the three-year period ended May 5, 2012, each of Empire's operating companies continued to expand their asset base and to reinvest in existing assets needed to support future growth. During this period, the cumulative property, equipment and investment property purchases for Empire, on a consolidated basis, totaled $1.58 billion, of which property, equipment and investment property purchases for Sobeys over this period totalled $1.41 billion. These purchases were funded primarily through cash flow from operations and existing bank credit lines. Cumulative capital expenditures for investments and other operations over the three-year period totalled $164.0 million.

Empire's consolidated sales in fiscal 2012 were $16.2 billion, an increase of $292.3 million or 1.8 percent compared to fiscal 2011[1]. Substantially all of the Company's consolidated sales were derived from arms-length customers.

Competition

Sobeys maintains a strong national presence in the Canadian retail food and food distribution industry, operating in over 800 communities in Canada. The most significant risk to Sobeys is the potential for reduced sales and profit margins as a result of increased competition. To mitigate this risk, Sobeys' strategy is to be geographically diversified with the benefits of national scale and regional management deployment, to be customer and market-driven, be focused on superior execution, and to have efficient, cost effective operations. Sobeys reduces its exposure to competitive or economic pressures in any one region of the country by operating in each region of Canada through a network of corporate, franchised, and affiliated stores, and through servicing the needs of thousands of independent, wholesale accounts. Sobeys approaches the market with five distinct formats to meet a broader spectrum of needs of its customers in order to enhance profitability by region and target market.

Sobeys' real estate development operations, through SDLP, and Empire through its investment in Crombie REIT, compete with numerous other managers and owners of real estate properties in seeking tenants and new properties to acquire. The existence of competing managers and owners could affect their ability to: (i) acquire property in compliance with their investment criteria; (ii) lease space in their properties and (iii) maximize rents charged and minimize concessions granted. Commercial property revenue is also dependent on the renewal of lease arrangements by key tenants. These factors could adversely affect sales and cash flows. To mitigate these risks, SDLP and Crombie REIT maintain strategic relationships with developers to ensure an adequate supply of prospective attractive properties. In addition, Crombie REIT maintains strategic relationships with existing and potential tenants to help ensure high occupancy levels are maintained at each of its properties.

Continued growth of rental income is dependent on renewing expiring leases and locating new tenants to fill vacancies at market rental rates, thereby ensuring an attractive return on our investment. The success of the real estate portfolio is also subject to general economic conditions, the supply and demand for rental property in key markets served and the availability of attractive financing to expand the real estate portfolio where deemed prudent. To mitigate this risk, Crombie REIT and Sobeys utilize staggered lease maturities to ensure that there are not unusually large amounts of leasable space coming up for renewal in any given year.

Genstar faces competition from other residential land developers in securing attractive sites for new residential lot development. Although Genstar holds land for future development, it faces significant competition when looking to acquire new land for future development. To mitigate this risk, Genstar maintains a geographically diverse inventory of well located land for development to alleviate periods of intense competition for the acquisition of new land. In addition, Genstar management has intimate

---

[1] *In preparing its fiscal 2011 comparative information the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). See Note 33 to the audited consolidated financial statements for the year ended May 5, 2012 for an explanation of the transition to International Financial Reporting Standards ("IFRS").*

knowledge of the residential markets where Genstar operates and in markets where it seeks new land investments.

As a national film exhibition company, Empire Theatres faces competition from other national, regional, and independent film exhibition companies in each of its operating markets. This market competition takes the following forms: attracting guests; securing traditional and alternative content; sourcing and acquiring properties for new cinema development; and acquiring existing cinemas for growth or expansion purposes. Empire Theatres also competes with indirect substitute products that represent alternative uses of its guests' entertainment dollar and leisure time. Such indirect competition may take the form of live action theatre, sporting events, concerts, in-home viewing of content, pay per view services, or the internet. Empire Theatres focuses on providing a superior out of home experience as a means to mitigate this risk.

All of Empire's operating businesses and equity accounted investments are susceptible to the overall health of the Canadian economy and general employment levels.

Other Information

Supply Chain and Product Availability

Sobeys' retail store network is serviced through 23 retail support centres (distribution centres) located throughout the country. In addition, certain products are delivered directly to Sobeys' stores by various vendors through a direct-to-store delivery process.

Sobeys continues to undertake specific initiatives designed to reduce distribution and logistics costs through improved productivity. In fiscal 2010, Sobeys completed and opened a new distribution centre in Vaughan, Ontario. Utilizing automation and technology, the new facility has significantly increased Sobeys' warehouse and distribution capacity while reducing overall distribution costs and improving service to its store network and customers. On January 28, 2011, Sobeys announced plans to build a new facility in Terrebonne, Québec, utilizing the same automation and technology as the Vaughan, Ontario distribution centre. This new facility is expected to be completed and operational in the second half of fiscal 2013.

Sobeys has also constructed a new distribution centre near Victoria, British Columbia, which is scheduled to be fully operational during the summer of 2012.

Sobeys continues to focus on continuous improvement in its logistics function through system upgrades and improvements, voice pick technology and other logistics productivity software and tools.

Sobeys has no material concerns with respect to product availability. Sobeys' inventories are maintained using a large number of national, regional and local suppliers.

Intangible Properties

Sobeys is not dependent upon any single trademark or trade name, although some trademarks on corporate retail brands and store banner names are important to operations. Sobeys recognizes the importance of its corporate and brand trademarks and the need to protect and enhance their value. It is Sobeys' practice to register or otherwise protect such intangible assets in all jurisdictions in which it operates.

Empire Theatres operates under the Empire Theatres trademark, which has established itself as the second largest movie-exhibitor in Canada with a reputation for well-maintained, clean facilities with modern amenities. Management focuses its efforts on providing the movie-goer with a modern cinema experience in order to strengthen the Empire Theatres brand over time.

Seasonality

Sobeys' operations, as they relate to food (specifically inventory levels, sales volume and product mix), are impacted to some degree by certain seasonal periods in the year.

Empire Theatres' operations are impacted to some degree by certain holiday periods, the release dates of movies by distributors and general consumer perception of film quality.

Employees

Substantially all of the employees of Empire are employed by its operating subsidiaries, with the majority employed by Sobeys. At fiscal year-end 2012, Empire and its operating subsidiaries employed approximately 47,000 full-time and part-time employees. Of these employees, 30 are full-time and part-time employees of Empire's head office, 13 are full-time and part-time employees of ECL, 2,074 are full-time and part-time employees of Empire Theatres, and 45,000 are full-time and part-time employees of Sobeys. Empire and its subsidiaries, including franchisees and affiliates, employed approximately 98,000 full-time and part-time employees.

Sobeys and its franchise affiliates have a total of approximately 265 collective agreements covering approximately 29,000 employees.

During fiscal 2012, Sobeys Québec reopened collective agreements for its distribution centres in Montréal-North and Québec City in order to facilitate changes that will result from the opening of the new distribution centre under construction in Terrebonne, Québec. Agreements for these locations were reached, and as a result certain administrative clauses were adjusted in order to maintain as many full-time employees as possible. Along with this, the implementation of retirement and voluntary departure programs will reduce the number of layoffs related to the upcoming opening of the Terrebonne distribution centre. During the year, Sobeys Québec had two corporate stores and forty affiliated stores finalize their collective agreements, for an average duration of five and a half years. In Sobeys Ontario, three collective agreements were negotiated under the FreshCo banner, and a three year agreement was negotiated for its distribution centre in Whitby. In Sobeys West, one collective agreement was renewed which expires in fiscal 2013, and another collective agreement expired with a franchised store in the year, which is currently under negotiation. In Sobeys Atlantic, a new five year agreement was finalized at its Stellarton distribution centre and a new three year agreement was secured for a retail store in Sydney.

During fiscal 2011, as a result of a business process and systems project, Sobeys Québec re-opened negotiations for its Montréal-North office employee's collective agreement. As a result, many changes were made to the collective agreement in order to facilitate the integration of the SAP platform. During this period, Sobeys Québec had three corporate stores and 35 affiliated stores finalize their collective agreements, for an average duration of five and a half years. In Sobeys Ontario, seven collective agreements were concluded and one collective agreement was in negotiations at year-end. In Sobeys West, three collective agreements were concluded and two had expired. In Sobeys Atlantic, a three-year agreement was reached with the Port Hawkesbury Sobeys store and Lawton's signed a new four-year agreement for its wholesale distribution centre in Dartmouth, Nova Scotia.

During fiscal 2010, Sobeys Québec secured an eight-year collective agreement at its Québec City distribution centre and at the Trois-Rivières distribution centre, a one year first agreement and a five-year second agreement were negotiated and secured. Within the Québec store network, collective agreements were concluded at one corporate store and 46 franchised stores. In Sobeys Ontario, a new three-year collective agreement was secured at the Milton distribution centre and in the store network, while collective agreements were concluded at three corporate stores and twelve franchised stores. In Sobeys West, a new three-year agreement at the Thompson, Manitoba location was secured.

Empire, its subsidiaries and franchise affiliates have good relations with its unionized employees and the unions representing those employees, and strive to conclude acceptable collective agreements without work stoppages.

Bankruptcy

Neither Empire nor any of its subsidiaries have had any bankruptcy, receivership or similar proceedings taken against them nor have they undertaken any voluntary bankruptcy, receivership or similar proceedings within the three most recently completed fiscal years, or expect to undergo any such proceedings in the current fiscal year.

Food Safety

Sobeys is subject to potential liabilities connected with its business operations, including potential liabilities and expenses associated with product defects, food safety and product handling. Such liabilities may arise in relation to the storage, distribution and display of products and, with respect to Sobeys' private label products, in relation to the production, packaging and design of products.

A large majority of Sobeys' sales are generated from food products and Sobeys could be vulnerable in the event of a significant outbreak of food-borne illness or increased public health concerns in connection with certain food products. Such an event could materially affect the Company's financial performance. Procedures are in place to manage food crises, should they occur. These procedures identify risks, provide clear communication to employees and consumers and ensure that potentially harmful products are removed from inventory immediately. Food safety related liability exposures are insured by Sobeys' insurance program. In addition, Sobeys has food safety procedures and programs which address safe food handling and preparation standards. Sobeys employs best practices for storage and distribution of food products.

Ethical Business Conduct

Any failure of the Company to adhere to its policies, the law or ethical business practices could significantly affect its reputation and brands and could therefore negatively impact the Company's financial performance. The Company and its subsidiaries are committed to managing its activities in an ethical and socially responsible manner. The Company's framework for managing ethical business conduct includes the adoption of a Code of Business Conduct and Ethics which directors and employees are required to acknowledge and agree to on a regular basis and maintenance of a confidential whistle-blowing hotline. The ethics response line is intended for use by employees to report suspected unethical behavior within the Company.

Real Estate

Sobeys owns certain retail store locations and also leases stores from related parties and third-party landlords. At May 5, 2012, of the 29.3 million square feet of retail store space under operation, 15.8 percent was owned, 11.7 percent was leased from related parties and the balance was leased from third-party landlords.

With respect to real estate development, the trend has been for large anchor retailers to locate away from enclosed shopping centres to free-standing plaza locations and to seek urban locations. SDLP, a wholly owned subsidiary of Sobeys, has and will continue to address this ongoing trend by redeveloping certain community and neighbourhood shopping centres where anchor tenants may be expanded or relocated to free-standing structures and accelerating our development of grocery anchored shopping plazas with tenancy that has a beneficial effect for the Company. SDLP will also continue to work on density and mixed-use urban developments.

During fiscal 2011, Empire's internal property development function was reorganized within Sobeys, with Sobeys acquiring 12 properties from ECL Properties. This reorganization has better aligned the real estate development function with the interest of Sobeys and Empire and has helped to streamline operations. As a result of this reorganization, all site selection and development work for Sobeys was internalized within Sobeys itself.

Reorganization

Other than as described under the heading "General Development of the Business", neither Empire nor any of its subsidiaries have undergone any other material reorganization within the three most recently completed fiscal years.

Risks and Risk Management

A detailed discussion of operating and financial risks relating to the Company is included in the Management's Discussion and Analysis for the fiscal year ended May 5, 2012, which is incorporated by reference into this AIF, a copy of which has been filed on SEDAR at www.sedar.com.

DIVIDENDS

The declaration and payment of dividends is at the discretion of the Board.

Empire is not aware of any restrictions that could prevent it from paying dividends.

During fiscal 2012, the Company paid common dividends of $61.1 million ($0.90 per share) to Non-Voting Class A and Class B common shareholders versus $54.4 million ($0.80 per share) in fiscal 2011.

Empire has no stated policy with respect to the payment of dividends on either its Non-Voting Class A shares or on its Class B common shares. Empire has paid dividends on its outstanding shares during the periods indicated as set out below:

	Annual Dividend Rate		
	Fiscal 2012	**Fiscal 2011**	**Fiscal 2010**
Series 2 preferred shares	$0.42[(1)]	$0.52	$0.44
Non-Voting Class A shares	$0.90	$0.80	$0.74
Class B common shares	$0.90	$0.80	$0.74

Note:

(1) During the third quarter of fiscal 2012, the Company redeemed all of its 164,900 Series 2 Preferred Shares outstanding, in accordance with their terms.

CAPITAL STRUCTURE

Share Capital

Empire's capital structure as at May 5, 2012 was as follows:

	Number of Shares Authorized	Number of Shares Issued & Outstanding	$ Millions
2002 preferred shares, par value of $25 each, issuable in series	991,980,000	-	$ -
Non-Voting Class A shares, without par value	257,044,056	33,687,747	311.7
Class B common shares, without par value, voting	40,800,000	34,260,763	7.6
			$ 319.3

There were 33,687,747 Non-Voting Class A and 34,260,763 Class B common shares outstanding at May 5, 2012, for a total of 67,948,510 shares. This is unchanged from the previous fiscal year-end.

From time to time, Empire will acquire, repurchase, or redeem its own securities. During fiscal 2012 the Company did not purchase for cancellation any Non-Voting Class A shares under Empire's NCIB as compared to 513,579 Non-Voting Class A shares for $27.6 million purchased for cancellation under Empire's NCIB during fiscal 2011.

During the third quarter of fiscal 2012, the Company redeemed all of its 164,900 Series 2 Preferred shares outstanding, in accordance with their terms. The Series 2 Preferred shares were redeemed at a price of $25 per share plus an amount equal to all dividends accrued and unpaid to January 31, 2012. This compares to 3,100 Series 2 Preferred Shares purchased for cancellation for $0.1 million during fiscal 2011.

During fiscal 2012, 73,247 options (fiscal 2011 – 150,464 options) were issued under Empire's long-term incentive plan. The options issued in fiscal 2012 allow a holder to purchase Non-Voting Class A shares at $54.40 per share (fiscal 2011 - $51.99 per share). Empire had 638,818 options outstanding at May 5, 2012 compared to 565,571 options outstanding at May 7, 2011. There were no options exercised in fiscal 2012, compared to 18,102 options exercised during fiscal 2011.

Non-Voting Class A Shares and Class B Common Shares

The rights of the holders of Non-Voting Class A shares and those of the holders of Class B common shares are subject to the rights of the holders of the preferred shares of the Company which enjoy a preferential right to dividends and return of capital on liquidation. The following is a summary of the privileges and rights attaching to the Non-Voting Class A shares and Class B common shares of the Company:

1. The Non-Voting Class A shares and the Class B common shares rank equally, pari passu, share for share, with each other and entitle the respective holders thereof to the same rights and benefits except as otherwise provided in the conditions attaching thereto.

2. The directors may at any time and from time-to-time declare a dividend or confer any other benefit whatsoever upon the holders of the Non-Voting Class A shares without being obliged to declare an equal or any dividend or confer an equal or any other benefit upon the holders of the Class B Common shares provided that no dividend may be declared in respect of or any other benefit conferred upon the holders of the Class B common shares unless concurrently therewith the same dividend is declared in respect of and the same benefit is conferred upon the holders of the Non-Voting Class A shares.

3. The holders of the Non-Voting Class A shares may receive notice of and may attend any meeting of the Class B common shareholders of the Company but are not entitled to vote at the meeting.

4. The Class B common shares carry the right to one vote per share at all meetings of the Class B common shareholders of the Company.

5. Under certain circumstances, the Class B common shares may at any time be converted into Non-Voting Class A shares on a one for one basis. The circumstances, among other things, require the approval of the Board of Directors and require that Class B common shares which are to be converted be offered first to all the other holders of Class B common shares.

6. No subdivision or consolidation of the Class B common shares shall be made unless the same subdivision or consolidation of the Non-Voting Class A shares is made concurrently. No subdivision or consolidation of the Non-Voting Class A shares shall be made unless the same subdivision or consolidation of the Class B common shares is made concurrently.

If a formal take-over bid (other than a "Family Share Transaction" described below) is made for Class B common shares, then the conditions attaching to the Class B common shares and Non-Voting Class A shares generally provide that Canadian holders of Class B common shares shall also be entitled to receive an offer to purchase their Class B common shares and Canadian holders of Non-Voting Class A shares shall also be entitled to receive an offer to purchase their Non-Voting Class A shares on terms and conditions at least as favourable, including the price offered. If an offeror acquires Class B common shares pursuant to a formal take-over bid and does not make the same offer for Non-Voting Class A shares within 60 days, then the Class B common shares acquired pursuant to the offer as well as some other Class B common shares held by the offeror and any others acting jointly or in concert with the offeror, shall convert to Non-Voting Class A shares.

A "Family Share Transaction" means any transfer of any kind of an interest in Class B common shares to one or more of the descendants of J.W. Sobey, now deceased and formerly a businessman of Stellarton, Nova Scotia. For this purpose, descendants include spouses, companies controlled by any such descendants or their affiliates and trusts for bona fide estate planning purposes primarily for the benefit of any such descendants.

Preferred Shares

During the third quarter of fiscal 2012, the Company redeemed all of its 164,900 Series 2 Preferred Shares outstanding, in accordance with their terms. The Series 2 Preferred Shares were redeemed at a price of $25 per share plus an amount equal to all dividends accrued and unpaid to January 31, 2012.

2002 Preferred Shares

The 2002 preferred shares are issuable in series, with each series consisting of such number of shares and having such provisions as may be determined by the directors of the Company prior to issue. The 2002 Preferred shares rank in preference over Non-Voting Class A shares. Class B common shares are subordinate to the preferred shares in respect to the payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Company. The 2002 Preferred shares of each series rank equally with the 2002 preferred shares of every other series in respect to the payment of dividends and in the distribution of assets. The Company may not create or issue any shares ranking in priority or on a parity to the 2002 preferred shares as to the payment of dividends or the distribution of assets without the approval of two thirds of the preferred shareholders.

Long-Term Debt

The Company has the following long-term debt outstanding:

($ in millions)	**As at May 5, 2012**	**As at May 7, 2011**
Long-term debt due within one year	$237.3	$62.1
Long-term debt	889.1	1,090.3
	$1,126.4	$1,152.4

On July 23, 2007, Sobeys established a new unsecured revolving term credit facility which matures July 23, 2012. Under the terms of the credit agreement entered into between Sobeys and a banking syndicate, a revolving term credit facility of $300.0 million was established and increased by an additional $300.0 million, resulting in a total authorized credit facility of $600.0 million. On February 14, 2012, Sobeys entered into an amended and restated credit agreement. The agreement provides for an unsecured revolving term credit facility of $450.0 million, and a $200.0 million unsecured non-revolving term credit facility resulting in total authorized credit facilities of $650.0 million. The revolving term credit facility matures on February 14, 2016, and the non-revolving term credit facility matures on July 23, 2012. At May 5, 2012, $200.0 million (May 7, 2011 - $200.0 million) of the non-revolving term credit facility had been drawn down and at year end was classified as long-term debt due within one year. The revolving term credit facility remains unutilized at year end. Interest payable on this facility fluctuates with changes in the bankers' acceptance rate, Canadian prime rate or London InterBank Offered Rate (“LIBOR”). Interest on the non-revolving facility is hedged with a $200.0 million interest rate swap which matures on July 23, 2012 at 5.051 percent. Sobeys had also issued $52.7 million in letters of credit against the facility at May 5, 2012 (May 7, 2011 - $35.3 million).

The Company also has a $450 million credit facility that will expire on June 30, 2014. At May 5, 2012, this credit facility had a balance outstanding of $129.0 million (May 7, 2011 - $118.0 million). On June 4, 2010, the Company renewed its credit facilities which were reduced from $650.0 million to $450.0 million. On August 22, 2011, the Company extended the term of its credit facilities to a maturity date of June 30, 2014. The credit facilities are subject to certain financial covenants. Interest on the debt varies based on the designation of the loan (bankers’ acceptances (“BA”) rate loans, Canadian prime rate loans, U.S. base rate loans or LIBOR loans), fluctuations in the underlying rates, and in the case of the BA rate loans or LIBOR loans, the margin applicable to the financial covenants.

Sobeys has the following medium term notes (“MTNs”) outstanding:

($ in millions)	As at May 5, 2012	As at May 7, 2011
Series C, interest rate 7.16%, due February 26, 2018	$ 100.0	$ 100.0
Series D, interest rate 6.06%, due October 29, 2035	175.0	175.0
Series E, interest rate 5.79%, due October 6, 2036	125.0	125.0
Series F, interest rate 6.64%, due June 7, 2040	150.0	150.0
	$ 550.0	$ 550.0

Sobeys has Sinking Fund Debentures, in aggregate, of $31.4 million outstanding (fiscal 2011 - $40.8 million) with a weighted average interest rate of 9.31 percent, due 2013 - 2016.

Sobeys’ MTNs and Sinking Fund Debentures are not listed or quoted in a market place.

Credit Ratings (Canadian Standards)

Sobeys’ credit ratings for its securities at fiscal year-end May 5, 2012, are as follows:

	Dominion Bond Rating Service (“DBRS”)	**Standard & Poor’s (“S&P”)**
MTNs	BBB (stable trend)	BBB- (stable trend)
Sinking Fund Debentures	BBB (stable trend)	BBB- (stable trend)

On September 14, 2009, DBRS upgraded its credit rating on Sobeys from BBB (low) with a positive trend to BBB with a stable trend. On January 12, 2010, S&P upgraded its credit rating on Sobeys from BB+ with a positive trend to BBB- with a stable trend. On December 1, 2011, S&P reaffirmed its credit rating on Sobeys at BBB- with a stable trend. There have been no changes to the ratings subsequent to fiscal year-end to July 20, 2012, the date of this document.

The credit ratings accorded to the debt by the rating agencies are not a recommendation to purchase, hold or sell the debt, in as much as such ratings do not comment as to market price or suitability for a particular investor. Credit ratings are intended to provide investors with an independent measure of the credit quality of an issue of securities. The Company provides the rating agencies with confidential, in-depth information in support of the rating process.

DBRS' credit ratings for long-term debt instruments range from AAA to D. The DBRS BBB rating exhibits adequate credit quality. Protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its related securities. Ratings designations may be modified by the addition of a high or low to indicate relative standing within the BBB category. Each DBRS rating category is appended with one of three rating trends: "Positive", "Stable" or "Negative". The rating trend helps to give an investor an understanding of DBRS' opinion regarding the outlook for the rating in question. However, the investor must not assume that a positive or negative trend necessarily indicates that a rating change is imminent.

S&P's credit ratings for long-term debt instruments range from AAA to D. S&P's BBB- rating exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of a company to meet its financial commitment on the obligation. Ratings designations may be modified by the addition of a plus or minus to indicate relative standing within the BBB category. A plus or minus designation indicates the debt's relative standing within the BBB category. S&P's rating outlook assesses the potential direction that a rating may be headed over the immediate to longer-term, with outlooks falling into one of five categories: positive, negative, stable, developing or not meaningful. A stable outlook indicates steady credit metrics are expected; however, a rating may be raised or lowered in the intermediate to long term.

The credit ratings on the MTNs and Sinking Fund Debentures may not reflect the potential impact of all risks related to structure and other factors on the value of the MTNs and Sinking Fund Debentures. In addition, real or anticipated changes in the Company's credit ratings will generally affect the market value of the debt. The foregoing ratings may be revised or withdrawn at any time by the rating agency if, in its judgment, circumstances warrant.

MARKET FOR SECURITIES

The Non-Voting Class A shares (symbol EMP.A) are listed on the Toronto Stock Exchange. The monthly closing high and low share price and the monthly average volume for the Non-Voting Class A shares for the fiscal year ended May 5, 2012 are as follows:

Month	High ($ per share)	Low ($ per share)	Average Daily Volume by month (in shares)
May 8-31/11	$ 55.86	$ 53.66	25,789
June-11	57.32	52.56	33,974
July-11	59.20	53.73	34,556
August-11	59.49	54.11	37,979
September-11	59.14	54.90	63,837
October-11	61.05	55.05	83,584
November-11	62.20	59.34	55,266
December-11	64.24	57.01	53,733
January-12	59.23	54.71	79,879
February-12	57.55	54.40	47,099
March-12	58.50	55.00	43,978
April-12	60.99	57.32	41,689
May 1-5/12	59.57	56.98	22,427

The Series 2 preferred shares (EMP.PR.B) were listed on the Toronto Stock Exchange. During the third quarter of fiscal 2012, the Company redeemed all of its 164,900 Series 2 Preferred Shares outstanding, in accordance with their terms. The Series 2 Preferred Shares were redeemed at a price of $25 per share plus an amount equal to all dividends accrued and unpaid to January 31, 2012. The monthly closing high and low share price and the monthly average volume for the Series 2 preferred shares for the fiscal year ended May 5, 2012 are as follows:

Month	High ($ per share)	Low ($ per share)	Average Daily Volume by month (in shares)
May 8-31/11	$ 25.50	$ 25.50	700
June-11	25.50	25.25	500
July-11	25.25	25.11	1,700
August-11	26.00	24.00	700
September-11	26.00	26.00	0
October-11	26.00	24.50	400
November-11	24.60	24.51	700
December-11	25.25	24.60	255
January-12	25.25	25.25	800
February-12	n/a	n/a	n/a
March-12	n/a	n/a	n/a
April-12	n/a	n/a	n/a
May 1-5/12	n/a	n/a	n/a

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Consolidated, three-year financial information relating to the Company is included in Empire's Management's Discussion and Analysis for the fiscal year ended May 5, 2012, which is incorporated into this AIF by reference, a copy of which has been filed on SEDAR at www.sedar.com.

In addition, the following table provides summary financial information for Empire over the last three fiscal years.

	Fiscal Year Ended		
($ in millions, except per share information)	**May 5, 2012 (52 weeks)**	May 7, 2011 (53 weeks)	May 1, 2010[1] (52 weeks)
Sales	**$16,249.1**	$15,956.8	$15,516.2
Operating income[2]	**534.3**	525.7	479.7
Adjused net earnings, net of minority interest[3][4]	**320.6**	303.2	284.5
Net earnings, net of minority interest	**$339.4**	$400.6	$301.9
Long-term debt, excluding current portion	**$889.1**	$1,090.3	$821.6
Shareholders' equity	**3,396.3**	3,162.1	2,832.9
Total assets	**6,913.1**	6,518.6	6,176.8
Per Share Information, fully diluted			
Adjusted net earnings, net of minority interest[3][4]	**$4.71**	$4.45	$4.15
Net earnings, net of minority interest	**$4.99**	$5.87	$4.40

Notes:

(1) Fiscal 2010 reflects Canadian GAAP ("CGAAP") and has not been restated for IFRS, except for long-term debt, shareholders' equity and total assets which have been restated for IFRS.

(2) Certain balances have been reclassified for changes to comparative figures (see Note 32 to the Company's fiscal 2012 audited annual consolidated financial statements)

(3) Adjusted net earnings, net of minority interest, for fiscal 2010, reflects reported EBITDA and net earnings, adjusted for capital gains, losses and other items.

(4) Excludes items which are considered not indicative of underlying business operating performance.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Reference is made to the Company's Management's Discussion and Analysis for the fiscal year ended May 5, 2012, which is incorporated into this AIF by reference, a copy of which has been filed on SEDAR at www.sedar.com.

DIRECTORS AND OFFICERS

The name, province of residence, and principal occupation of each of the directors and officers of Empire as at May 5, 2012 were as follows:

Directors

Name and Province of Residence	Office	Principal Occupation	Director Since
MARCEL CÔTÉ(3)(5)(7) Québec, Canada	Director	Founding Partner, Secor Inc. (Consulting firm)	2007
ROBERT P. DEXTER Nova Scotia, Canada	Chair	Chair and CEO, Maritime Travel Inc. (Travel agency)	1987
DAVID S. FERGUSON(3)(9) Georgia, United States	Director	Principal, D.S. Ferguson Enterprises, LLC. (Consulting firm)	2007
EDWARD C. HARSANT(1)(5)(7) Ontario, Canada	Director	Corporate Director	2003
DAVID A. LESLIE(1)(9) Ontario, Canada	Director	Corporate Director	2007
BILL McEWAN(11) Nova Scotia, Canada	Director	President and CEO, Sobeys Inc.	2007
MALEN NG(2)(9) Ontario, Canada	Director	Corporate Director	2007
MEL RHINELANDER (4)(5)(7) Ontario, Canada	Director	Chairman, Extendicare REIT and Vice Chairman Assisted Living Concepts Inc. (Long-term care facility)	2007
STEPHEN J. SAVIDANT(3)(6)(8) Alberta, Canada	Director	Chairman of Enerflex Ltd.	2004
DAVID F. SOBEY Nova Scotia, Canada	Director	Chair Emeritus, Sobeys Inc.	1963
DONALD R. SOBEY Nova Scotia, Canada	Director	Chair Emeritus, Empire Company Limited	1963
FRANK C. SOBEY(10) Nova Scotia, Canada	Director	Vice President, Real Estate, Empire Company Limited	2007
JOHN R. SOBEY(1) Nova Scotia, Canada	Director	Corporate Director	1979
KARL R. SOBEY(5) Nova Scotia, Canada	Director	Corporate Director	2001
PAUL D. SOBEY Nova Scotia, Canada	Director, President and CEO	President and CEO, Empire Company Limited	1993
ROB G. C. SOBEY(9) Nova Scotia, Canada	Director	President and CEO, Lawton's Drug Stores Limited	1998

(1) Audit Committee Member
(2) Audit Committee Chair
(3) Human Resources Committee Member
(4) Human Resources Committee Chair
(5) Corporate Governance Committee Member
(6) Corporate Governance Committee Chair
(7) Nominating Committee Member
(8) Nominating Committee Chair
(9) Oversight Committee Member
(10) Oversight Committee Chair
(11) Bill McEwan stepped down as President and CEO of Sobeys Inc. effective June 28, 2012.

The term of office for each person elected or appointed as a director is until the next annual meeting of shareholders of Empire or until his or her successor is elected.

Executive Officers Who are Not Directors

Name and Province of Residence	Occupation
PAUL V. BEESLEY Nova Scotia, Canada	Executive Vice President and CFO
STEWART H. MAHONEY Nova Scotia, Canada	Vice President, Treasury and Investor Relations
KARIN McCASKILL Ontario, Canada	Corporate Secretary Senior Vice President and General Counsel, Sobeys
FRANÇOIS VIMARD Ontario, Canada	Executive Vice President, Sobeys
PAUL JEWER Nova Scotia, Canada	CFO, Sobeys
MARC POULIN[1] Québec, Canada	President, Sobeys IGA Operations
JASON POTTER Nova Scotia, Canada	President, Sobeys Multi-Format Operations

(1) Marc Poulin was appointed President and CEO of Sobeys Inc. effective June 29, 2012. Claude Tessier was appointed President, Sobeys IGA Operations; effective June 29, 2012.

During the past five years, each of the above-mentioned directors and officers has been engaged in the principal occupation or held the position with the company or firm indicated opposite his or her name other than:

- Paul V. Beesley, who prior to September 2007 was Executive Vice President, CFO and Secretary;
- Paul Jewer, who prior to October 2011 was Senior Vice President, Finance and Treasurer of Sobeys;
- Karin McCaskill, who prior to September 2007 was, and is currently Senior Vice President, General Counsel and Secretary of Sobeys;

- Jason Potter, who prior to October 2011 was President Operations, Sobeys Atlantic;

- Stephen J. Savidant, who prior to June 2011 was Chairman of ProspEx Resources Ltd. Effective June 1, 2011, Mr. Savidant became a director and Chair of the board of Enerflex Ltd;

- Marc Poulin, who prior to October 2011 was President Operations, Sobeys Québec. On June 7, 2012, Sobeys announced that Mr. Poulin would assume the position of President and CEO of Sobeys effective June 29, 2012, replacing Bill McEwan;

- François Vimard, who prior to October 2011 was Chief Financial Officer of Sobeys.

As of May 5, 2012, the number of Class B common shares of Empire beneficially owned, directly or indirectly, or over which control or direction is exercised by the directors and executive officers of Empire as a group is 22,742,334 or approximately 66.4 percent of those issued and outstanding.

Other Proceedings

No director or executive officer is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including a personal holding company) that:

a) was subject to an order (as defined in Form 51-102 F2 of National Instrument 51-102 – *Continuous Disclosure Obligations*) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

b) was subject to an order (as defined in Form 51-102 F2 of National Instrument 51-102 – *Continuous Disclosure Obligations*) that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director, executive officer or shareholder holding a sufficient number of securities of Empire to affect materially the control of Empire, or a personal holding company thereof,

a) is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director or executive officer of any company (including a personal holding company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than David Leslie who was a director of Canwest Global Communications Corp. up to January 14, 2009. On October 6, 2009 Canwest Global Communications Corp. sought and obtained an order commencing proceedings under *Companies' Creditors Arrangement Act* (Canada);

b) has, as at the date of this AIF, or within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the trustee, executive officer or shareholder; or

c) has been subject to:

(i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Conflict of Interest

No director or officer of the Company has any existing or potential material conflicts of interest with the Company or any of its subsidiaries.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar is CIBC Mellon Trust Company, c/o Canadian Stock Transfer Company Inc. with offices located in Halifax, Nova Scotia and Toronto, Ontario, and can be contacted by phone at 1-800-387-0825 or by e-mail at inquiries@canstockta.com. Canadian Stock Transfer Company Inc. is operating the transfer agency business in the name of CIBC Mellon Trust Company for a transition period.

AUDIT COMMITTEE INFORMATION

Audit Committee Mandate

The Audit Committee Mandate as approved by the Company's Board is included in Appendix B.

The Audit Committee Mandate contains specific policies and procedures for the engagement of non-audit services.

Audit Committee Composition

The members of the Audit Committee, at the fiscal year ended May 5, 2012, and their relevant education and experience are:

1. Malen Ng (Audit Committee Chair).
    - Masters of Business Administration, Queens University.
    - Formerly CFO, Workplace Safety and Insurance Board of Ontario. Prior to that, she was President and CEO, Hydro One Networks Inc. Prior to that, she was Executive Vice President of Wires Operations and Executive Vice President and Chief Financial Officer of Hydro One Inc., and prior to that she was Vice President of Corporate Finance with Ontario Hydro.
    - Currently a director of Sobeys Inc., Assisted Living Concepts Inc. and the Sunnybrook Health Sciences Centre.

2. Edward C. Harsant

- Formerly President, Stonehedge Partners. Prior to that he was President, North American stores for Staples, Inc. and prior to that he was President, The Business Depot Ltd.
- Currently Chair of the Advisory Board Lawton's Drug Stores Limited and a director of Sobeys Inc.,
- Former Chair of the Retail Council of Canada and former director of the Canadian Special Olympics. He was also previously a member of the Advisory Board of Bargain Shops Holdings Inc. and a member of the Advisory Board of South Shore Industries Ltd.

3. David Leslie
   - Bachelor of Arts, University of Toronto
   - Fellow of the Institute of Chartered Accountants of Ontario.
   - Formerly Chairman and CEO of Ernst & Young LLP and Chair of Sunnybrook Health Sciences Centre.
   - Currently a director of Sobeys Inc., Enbridge Inc., Enbridge Gas Distribution Inc., Imris Inc. and a trustee of Crombie REIT

4. John R. Sobey
   - Past President and Chief Operating Officer of Sobeys Inc.
   - 34 years of retail grocery experience at Sobeys – having begun his career in the retail stores and progressed in various management roles in merchandising, category management and retail store operations.
   - Currently a director of Sobeys Inc. and Medavie Inc.

All members of the Audit Committee are considered to be financially literate and independent.

Pre-Approval Policies and Procedures

Reference is made to Appendix B – Empire Audit Committee Mandate, Section "Responsibilities", for a description of the specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees (by Category)

Grant Thornton LLP and its predecessors have served as auditors of Empire for more than 50 years. During fiscal 2012 and fiscal 2011, fees charged by Grant Thornton LLP to the Company and its subsidiaries were as follows:

Auditors' Fees for Empire Company Limited and its Subsidiaries	Fiscal Year ended	
	May 5, 2012	May 7, 2011
Audit Fees	$ 2,202,055	$ 2,428,775
Audit Related Fees	512,664	739,778
Tax Fees	357,720	317,050
Other Fees	31,444	57,219
Total Fees	$ 3,103,883	$ 3,542,822

Audit fees include fees for the audit of the annual consolidated financial statements, audits of other required financial statements and reviews of quarterly interim financial statements.

Audit related fees are for services including consultations on accounting and disclosure matters, conversion to International Financial Reporting Standards, internal control certification, French translation and assistance with CEO/CFO certification.

Tax fees include tax planning and project based assignments related to regulatory compliance.

Other fees for the year ended May 5, 2012 include Canadian Public Accountability Board fees as well as other services provided by Grant Thornton LLP for project based assignments that are not audit or audit related.

The Audit Committee monitors and reviews the independence of the auditors on an ongoing basis. A policy that requires the pre-approval of engagements for services of the external auditors has been implemented and, during the pre-approval process, it is considered whether the nature and extent of these services is compatible with maintaining the independence of the external auditors. It has been concluded that the independence of Grant Thornton LLP has not been compromised by the services provided.

MATERIAL CONTRACTS

The Company has not entered into any contract, other than in the ordinary course of business, that is material to the Company and that was either entered into since January 1, 2002, and is still in effect or was entered into within the most recently completed fiscal year.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not, and was not during fiscal 2012, a party or subject to any legal proceedings or group of similar proceedings, nor are any such proceedings known to the Company to be contemplated, where the amount involved, exclusive of interest and costs, exceeds 10 percent of the current assets of the Company.

There were no penalties or sanctions imposed against the Company by, and no settlement agreements entered into by the Company with, a court relating to securities legislation or a securities regulatory authority during fiscal 2012.

INTEREST OF EXPERTS

The Company’s auditor is Grant Thornton LLP, 610 East River Road, New Glasgow, Nova Scotia. The Company’s consolidated financial statements as at the year ended May 5, 2012 have been filed under National Instrument 51-102 in reliance on the report of Grant Thornton LLP, independent chartered accountants, given on their authority as experts in auditing and accounting. Grant Thornton has advised the Company that it is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Nova Scotia.

ADDITIONAL INFORMATION

Empire shall provide any person or company, upon request to the Secretary of the Company:

a) when the securities of Empire are in the course of a distribution pursuant to a short-form prospectus or a preliminary short-form prospectus or a short-form prospectus has been filed in respect of a proposed distribution of its securities,

   (i) one copy of Empire's latest AIF, together with one copy of any document, or the pertinent pages of any document, incorporated therein by reference;

   (ii) one copy of the comparative financial statements of Empire for its most recently completed financial year together with the auditors' report thereon and one copy of any interim financial statements issued by Empire subsequent to such annual audited financial statements;

   (iii) one copy of the Information Circular of Empire in respect of its most recent annual general meeting of shareholders which involved the election of directors; and

   (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or

b) at any other time, one copy of any other documents referred to in (a) (i), (ii) and (iii) above, provided that Empire may require the payment of a reasonable charge if the request is made by a person or company who is not a security holder of Empire.

Additional information with respect to directors' and officers' remuneration and indebtedness, principal holders of Empire's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in Empire's Management Information Circular dated July 20, 2012, and issued in connection with its Annual General Meeting of Shareholders to be held on September 13, 2012. Additional financial information is provided in the Company's audited financial statements for its last fiscal year ended May 5, 2012. A copy of such documents may be obtained by request from the investor relations department of Empire, via the Empire website at: www.empireco.ca, or on SEDAR at www.sedar.com.

APPENDIX A – SOBEYS' GEOGRAPHIC AND BANNER PROFILE

All information is as of May 5, 2012

FULL, FRESH & COMMUNITY SERVICE SUPERMARKETS

Geographic Area	*Sobeys*	*IGA*	*IGA extra*	*Foodland*	*Bonichoix*	*Le Marchés Tradition*	*Thrifty Foods*
Newfoundland and Labrador	14	-	-	28	-	-	-
Prince Edward Island	5	-	-	2	-	-	-
Nova Scotia	41	-	-	19	-	-	-
New Brunswick	23	-	-	10	-	-	-
Québec	-	162	108	-	88	28	-
Ontario	101	-	-	151	-	-	-
Manitoba	17	11	-	-	-	-	-
Saskatchewan	12	3	-	-	-	-	-
Alberta	74	32	-	-	-	-	-
British Columbia	3	2	-	-	-	-	27
TOTAL	**290**	**210**	**108**	**210**	**88**	**28**	**27**

DRUG, DISCOUNT AND OTHER CONVENIENCE STORES

Geographic Area	*FreshCo*	*Price Chopper*	*Rachelle -Béry*	*Needs*	*Bonisoir*	*Lawtons*	*Cash & Carry*	*Sobeys Spirits, Wine & Cold Beer*	*Retail Gas Sites*
Newfoundland and Labrador	-	-	-	39	-	19	2	-	2
Prince Edward Island	-	-	-	12	-	5	-	-	-
Nova Scotia	-	-	-	62	-	44	3	-	59
New Brunswick	-	-	-	14	-	11	1	-	10
Québec	-	-	20	-	1	-	-	-	189
Ontario	68	14	-	-	-	-	-	-	-
Manitoba	-	1	-	-	-	-	3	-	-
Saskatchewan	-	-	-	-	-	-	-	-	-
Alberta	-	-	-	-	-	-	-	35	-
British Columbia	-	-	-	-	-	-	-	-	-
TOTAL	**68**	**15**	**20**	**127**	**1**	**79**	**9**	**35**	**260**

APPENDIX A – continued

DISTRIBUTION CENTRES

Geographic Area	***Distribution Centres***
Newfoundland and Labrador	3
Prince Edward Island	-
Nova Scotia	4
New Brunswick	1
Québec	7
Ontario	3
Manitoba	1
Saskatchewan	-
Alberta	2
British Columbia	2
TOTAL	**23**

CORPORATE AND FRANCHISED STORES – BY GEOGRAPHIC AREA

Geographic Area	***Corporate Stores***		***Franchised Stores***	
	Number	***Square Footage***	***Number***	***Square Footage***
Atlantic	353	4,929,512	72	336,419
Québec	142	903,958	454	9,112,825
Ontario	112	3,666,257	222	4,884,659
West	100	2,421,315	88	2,148,300
British Columbia	29	872,202	3	60,044
TOTAL	**736**	**12,793,244**	**839**	**16,542,247**

CORPORATE AND FRANCHISED STORES – BY BANNER

	Sobeys	***IGA***	***IGA extra***	***Foodland***	***Bonichoix***	***Le Marchés Tradition***	***Thrifty Foods***
Corporate	221	7	13	46	-	1	27
Franchise	69	203	95	164	88	27	-
TOTAL	**290**	**210**	**108**	**210**	**88**	**28**	**27**

	FreshCo	***Price Chopper***	***Rachelle-Béry***	***Needs***	***Bonisoir***	***Lawtons***	***Cash & Carry***	***Sobeys Spirits, Wine & Cold Beer***	***Retail Gas Sites***
Corporate	9	9	20	127	1	75	9	35	136
Franchise	59	6	-	-	-	4	-	-	124
TOTAL	**68**	**15**	**20**	**127**	**1**	**79**	**9**	**35**	**260**

APPENDIX B

EMPIRE COMPANY LIMITED

AUDIT COMMITTEE MANDATE

The Audit Committee (the "Committee") is responsible to the Board of Directors (the "Board") for the policies and practices relating to integrity of financial and regulatory reporting as well as internal controls to achieve the objectives of safeguarding of corporate assets, reliability of information and compliance with policies and laws. The Committee is also responsible for identifying principle risks of the business and ensuring appropriate risk management techniques are in place.

The Committee charges management with developing and implementing procedures to:

- Ensure internal controls are appropriately designed, implemented and monitored including reviewing and discussing any significant deficiencies in the design or operation of internal controls and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting
- Ensure financial reporting and disclosure of required information is complete, accurate and timely as required by applicable legislation and regulation.

<u>COMPOSITION</u>

The Committee shall be composed of three or more independent Directors, appointed by the Board on the recommendation of the Corporate Governance Committee, in accordance with the independence standards established by the Board of Directors, and all applicable corporate and securities law.

All members of the Committee shall be financially literate as defined by applicable legislation. Financially literate shall mean the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's' financial statements.

A member of the Board of Directors who is not financially literate may be appointed to the Committee provided that the member becomes financially literate within three months following his or her appointment, subject to the Company's Board of Directors determining that this appointment will not materially adversely affect the ability of the Committee to act independently and to satisfy the other requirements of this mandate.

If a Committee member ceases to be independent for reasons outside the member's reasonable control, the member shall tender their resignation to the Chair of the Corporate Governance Committee, within three months of the occurrence of the event which caused the member to not be independent.

The members of the Committee are appointed or reappointed annually by the Board, with such appointments to take effect immediately following the Annual General Meeting of Shareholders of the Company. Each member of the Committee shall continue to be a member thereof until their successor is appointed, unless they resign or are removed by the Board, or cease to be a Director of the Company. The Board, upon recommendation of the Corporate Governance Committee, may fill vacancies of members of the Committee for the remainder of the current term of appointment.

The Board shall appoint a Chair from among the members of the Committee to preside at its meetings. The Chair must be independent. If the Chair of the Committee loses their independent status, that person shall cease to be Chair immediately and be replaced as Chair by an existing member of the Committee with the Nominating Committee being asked to replace this member within three months. In the absence of the Chair, one of the other members of the Committee present shall be chosen by the Committee to preside at the meeting.

AUTHORITY

The Committee has the authority to:

- Conduct or authorize an investigation into any matters within its scope of its mandate or responsibility;
- At the Company's expense, as determined by the Committee, engage independent legal, accounting or financial advisors and such other advisors as it deems necessary to advise the Committee or assist in carrying out its duties or to assist in the conduct of an investigation;
- Communicate and meet without Management involvement, the internal auditors, external auditors or outside counsel as necessary; and
- Call a meeting of the Board to consider any matter of concern to the Committee. The Committee shall have direct access to all books, records, facilities and personnel of the Company including to the external and/or internal auditor as it determines this to be advisable. All employees are to cooperate as requested by Committee members.

MEETINGS

The Audit Committee shall meet quarterly or more frequently as circumstances dictate.

Meetings of the Committee may be called by:

- The Chair;
- Any member of the Audit Committee;
- Management; or
- The external auditors.

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:

1. a quorum shall be a majority of the members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and hear each other;

2. notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting, provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting is a waiver of notice of that meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

The external auditors shall be invited to attend and be heard at every Audit Committee meeting, and have the opportunity to discuss matters with the Committee without the presence of Management at each meeting. The Committee will meet in camera with the external auditors at each meeting.

There shall be an in-camera session at each quarterly scheduled Committee meeting without management, with in-camera sessions at other Committee meetings as required by any member of the Committee. The Secretary of the Company shall act as Secretary of the Committee and minutes of the Committee shall be recorded and maintained by the Secretary.

All Committee members are expected to attend each meeting. The Chair of the Committee shall report the business of the meeting at the next regularly scheduled Board of Directors meeting.

RESPONSIBILITIES

Administration:

1. The Committee annually reviews its mandate and recommends any changes to the Corporate Governance Committee.
2. The Committee annually completes a self assessment survey and reviews the Committee's financial literacy and independence.

External Auditor:

3. As required by the Board, the external auditor reports directly to the Committee.
4. The Committee must recommend to the Board of Directors:
   a) the external auditor to be nominated for purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for Empire; and
   b) the compensation of the external auditor.
5. The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing the Auditor's Report or performing other audit, review or attest services for Empire, including the resolution of disagreements between management and the external auditor regarding financial reporting.
6. The Committee must pre-approve all non-audit services to be provided to Empire or its subsidiary entities by Empire's external auditor. The Committee has established a policy for certain pre-approvals and has delegated to the Chair of the Committee the authority to pre-approve the non-audit services, with such pre-approval presented to the Audit Committee at the next scheduled Committee meeting following such pre-approval.

   Without limiting the foregoing, de minimis non-audit services may be performed by Empire's external auditor without prior approval of the Committee if:

   a) the aggregate amount of all these non-audit services that were not pre-approved is reasonably expected to constitute no more than $50,000 of the total audit fees paid by Empire and its subsidiaries to Empire's external auditor during the fiscal year in which the services are provided;

   b) Empire or subsidiaries of Empire, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

   c) the services are promptly brought to the attention of the Audit Committee of Empire and approved, prior to the completion of the audit, by the Audit Committee or by the Chair of the Audit Committee, who has been granted authority to pre-approve non-audit engagements.

The Committee has instructed management that, to obtain pre-approval, management must detail the work to be performed by the external auditor and obtain the assurance from the external auditor that the proposed work does not impair their independence.

7. The Committee reviews with the external auditors and management all major accounting policies and practices adopted, any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties and key estimates and judgements of management that may be material to financial reporting. The Committee shall also review any significant changes to GAAP or its application.

8. The Committee must review and approve Empire's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of Empire.

9. The Committee ensures through enquiry that the external auditor is in good standing with the Canadian Public Accountability Board (CPAB) and that the lead partner and other partners fulfill the rotation requirements. The Committee also reviews that the relationship with the external auditor and Empire Management is independent with consideration to the requirements set out by the Canadian Securities Administrators and the CICA.

10. The Committee receives from the external auditor an outline of the annual audit scope, plan, resources, reliance on management and progress reports against that plan.

11. The Committee reviews the Auditor Report with the external auditors:

    a) significant findings during the year and management's response thereto;
    b) any difficulties encountered in the course of their audits, including any restrictions to the scope of their work or access to required information; and
    c) any changes required to the planned scope of their audit or quarterly reviews.

Risk Management:

12. The Committee annually reviews the adequacy and quality of the insurance coverage maintained by the Company.

13. The Committee reviews the principal risks of the business and ensures appropriate risk management techniques are in place. This will involve enquiry of management regarding how risks are managed as well as opinions from management regarding the degree of integrity of the risk mitigation strategies and accepted thresholds. The Committee shall review risk management policies as recommended by management.

14. The Committee reviews the Environmental Report, the Litigation Report and the Hedge Report, and reviews their appropriateness.

15. The Committee reviews the status of compliance with laws and regulations and the scope and status of systems designed to ensure compliance therewith, and receives reports from management, legal counsel and other third parties as determined by the Committee on such matters, as well as major legislative and regulatory developments which could impact the Company's contingent liabilities and risks.

Financial Management and Reporting:

16. The Committee reviews and recommends to the Board approval of Empire's interim and annual financial statements, MD&A and quarterly financial and material press releases prior to public disclosure of this information.

17. The Committee reviews the financially related disclosures contained in the Annual Report, Annual Information Form and Information Circular.

18. The Committee ensures that adequate disclosure procedures are in place for the review of Empire's public disclosure of financial information extracted or derived from Empire's financial statements, and must periodically assess the adequacy of those disclosure procedures.

19. The Committee reviews the disclosure controls and procedures and internal controls on financial reporting, including any significant deficiencies or material non-compliance with such controls and procedures.

20. The Committee reviews the Corporate Disclosure Policy and the Disclosure Committee Mandate and reviews the minutes of the quarterly Disclosure Committee meetings.

21. The Committee must establish procedures for:
    a) the receipt, retention and treatment of complaints received by Empire regarding accounting, internal accounting controls, or auditing matters; and
    b) the confidential, anonymous submission by employees of Empire of concerns regarding questionable accounting or auditing matters.

22. The Committee reviews the status and adequacy of Company's efforts to ensure its businesses are conducted and its facilities are operated in an ethical, legally compliant and socially responsible way, and recommends to the Board, for approval, policy changes and program initiatives considered advisable.

<u>Internal Audit:</u>

23. The Committee annually reviews and approves the Internal Audit Charter and Annual Plan.

24. The Committee receives quarterly reports from, and meets in camera with, the Chief Auditor.

25. The Committee ensures that the Internal Audit function is independent of management and has sufficient resources to carry out its mandate.

26. The Committee approves the appointment, replacement or termination of the Chief Auditor.