

FINAL TRANSCRIPT

Empire Company Limited

Annual General Meeting

Event Date/Time: September 15, 2016 — 10:00 a.m. E.T.

Length: 27 minutes

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CORPORATE PARTICIPANTS

Rob Dexter

Empire Company Limited — Chair of the Board

François Vimard

Empire Company Limited — Interim President and Chief Executive Officer

PARTICIPANTS

Carol Campbell

Empire Company Limited — Vice President, Risk Management

Adam Sheparsi

Empire Company Limited — Senior Vice President, Finance

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PRESENTATION

Unidentified Speaker

Please welcome the Chair of the Board of Empire, Rob Dexter.

Rob Dexter — Chair of the Board, Empire Company Limited

Good morning, ladies and gentlemen. Welcome to the Annual General Meeting of Empire Company Limited. My name is Rob Dexter, and I am Chair of the Board of Empire, and I will be Chair of the meeting today.

I would like to note that once again this year, we have a number of business students from the Nova Scotia Community College in attendance. I thank them and everybody else for coming today.

Also to my right are François Vimard, Interim President and Chief Executive Officer; Clinton Keay, Interim Chief Financial Officer; and Karin McCaskill, Senior Vice President, General Counsel, and Corporate Secretary. Karin will act as Secretary of the meeting. I've asked Cindy Harrett and Michelle VanDen (phon) of CST Trust Company to act as our scrutineers.

Our agenda today will include first the formal part of the meeting, a few remarks of my own, and François will then review 2016, the results of the first quarter for 2017, and comment on key initiatives and our outlook. After these remarks, we will be happy to answer any questions you may have.

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I now call the meeting to order. Karin McCaskill, as Secretary of the Company, has advised me that we have 98,138,079 Class B voting common shares represented at this meeting either in person or by proxy, representing 100 percent of the total outstanding Class B common shares. So I declare this annual general meeting to be duly constituted.

The minutes of the Annual General and Special Meeting, held September 20, 2015, were distributed when you registered this morning, and additional copies are available. So unless there are any objections, I will dispense with the reading of the minutes. Are there any errors or omissions in the minutes? Hearing no objections, the minutes are approved as presented.

I'm about to introduce the directors, and I'm saying this to all of the directors because there's going to be a change this time. I would've told you earlier today but it was just some PR people told me they would like you all to stand, so when each person stands up, stay standing. So I said I'm happy to do that, but I can't count on the Board to not do what they normally do. So we'll see how it works.

So on that note, I'd like to introduce the 14 nominees who in addition to myself are standing for election to the Board of Directors for the ensuing year. I'm going to ask each to stand and stay standing as I call their names: Cynthia Devine—

Cynthia Devine

(unintelligible)

Rob Dexter

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Yeah, I knew there'd be some grumbling. James Dickson, Gregory Josefowicz, Sue Lee, William Linton, Kevin Lynch, Frank Sobey, John Sobey, Karl Sobey, Paul Sobey, Rob Sobey—Martine Turcotte cannot be with us—and François Vimard. Thank you very much, ladies and gentlemen, and very well done. I'm impressed. They're not always this accommodating.

I would like to introduce Gregory Josefowicz as the new director to our Board. Greg was appointed in June and is an excellent addition to the group. He's a seasoned food retailer and has many years of experience in the United States in both retail executive and governance roles.

After 12 years, Steve Savidant decided to retire from the Board today. Steve has provided strong leadership through very challenging times and good times. His wise guidance and collegial approach to the Board and committee business have been appreciated by all of us and will be truly missed. And we know Steve is very collegial. I'm not supposed to talk about these things but apparently last night there was a group of them that got in before—past the witching hour at midnight. No, I wasn't there, so only by story.

I also want to extend our appreciation to Bonnie Brooks, who resigned from the Board in early July. Bonnie brought valuable insight in the retail sector and made a significant contribution to the Company during her four years on the Board, and we wish her well.

As noted in the Notice of Annual General Meeting and Management Information Circular, at this meeting we are to approve the following regular items of business: one, the election of each of the directors I've just mentioned and fixing the maximum number of directors at 18; two, the

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directors' remuneration as set out in the circular; three, the appointment of Price Waterhouse Coopers LLP as auditors for fiscal 2017; and four, the authorization of the directors to fix the remuneration of Price Waterhouse Coopers. Are there any questions on any of these matters?

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

Hearing none, I declare each of these items passed as outlined in the Notice of Meeting and Management Information Circular.

I now turn to the advisory resolution on executive compensation, which both Class A and Class B shareholders will vote on. This is an advisory vote, so it's not binding on the Board of Directors of Empire. However, the Board and in particular, the Human Resources Committee continue to be interested in feedback from all shareholders on our approach to executive compensation.

Our philosophy is based on the fundamental principle of pay for performance to align the interests of our executives with those of our shareholders. This approach to compensation allows us to attract, motivate, and retain highly qualified executives who are encouraged to make decisions and take actions that will create long-term, sustainable growth and result in long-term shareholder value.

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Of the proxies received, 100 percent of the Class B shares and 97 percent of the Class A shares were in favour of the advisory resolution on executive compensation, so we have enough votes already to pass this resolution. For the record, is there any shareholder at the meeting who would like to register a vote contrary to the advisory resolution?

Hearing none, I declare this resolution passed.

The audited consolidated statements were mailed to each registered shareholder, and as well, copies have been made at this meeting. While there is no requirement that these documents be approved by the shareholders, at this stage, we are open to any discussions or questions anyone may have. Are there any questions related to the audited financial statements?

Hearing no questions, before I hand things over to François, I'd like to say a few words of my own. Fiscal 2016 has been a difficult year for Empire. Continued significant challenges with the Safeway integration, impairment charges and respective goodwill and long-live assets in the Western business unit, and softening sales in other parts of the country led to weak overall results.

The priority of the Board is to ensure the successful execution of our strategy and return the Company to long-term, profitable growth. On July 7th, the Board made a change in the Company's leadership, appointing François Vimard, then Chief Financial and Administrative Officer, as Interim President and CEO.

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I want to thank Marc Poulin on behalf of the Board and our employees for his efforts and leadership over the past four years, and also for the very important role he played in building our business in Quebec.

The Board is unanimous in its support of François Vimard's leadership and his team's ability to advance the most critical elements of our strategy. François is a strong leader with a deep understanding of the business. François has held a number of senior management positions during his 21-year career with Empire and Sobeys. His appointment is a result of our succession plan for executive transitions, and we're now going through an orderly process to find a permanent leader.

In a few minutes, François will go through the details of management's plans for putting the business back on track. The Board is confident that Empire is pursuing the right strategy and has given François a clear mandate to prioritize and advance the most critical elements of the strategy, to ensure we meet the needs of our customers and see the return of long-term, profitable growth.

We remain focused on advancing the Better Food For All strategy while strengthening the Company's real estate investments. We can clearly see the value of this approach in our legacy of long-term value creation. Empire shares have delivered an average annual compound rate return of 13.8 percent for the last 20 years, and in September of 2015, shareholders approved the fourth share split in our history.

Now let me close my formal remarks by acknowledging that while I'm confident you have always looked forward and enjoyed hearing me up here year after year, I wanted to let you know

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that all good things come to an end. I will be retiring as Chair and Board Director later this fall, when a new Chair will be appointed by the Board. I believe the timing is right, given the Board is in the midst of an orderly succession process to appoint a new CEO for the Company. Having a new Chair in place will allow us the forging of a strong, dynamic, and lasting working relationship with the new Chair and CEO.

Now I joined the Board in 1987—please do not do the math—and became Chair in 2004. These many years on the Board, the last 12 as Chair, have been particularly fulfilling for me, both personally and professionally. When I joined the Board in 1987, it was the year that Sobeys reached \$1 billion in sales. That was an important milestone at the time, and as you know, has been eclipsed several times over the many years.

Since joining the Board, I have witnessed this organization that emerged from a mainly regional company to a diverse food retail business serving millions of customers from coast to coast, along with a strong real estate business in the hands of Crombie.

The growth has served you, the Company's shareholders, well. From 1987 to today, shareholders have seen Empire shares deliver in excess 13 percent compounded annual growth on adjusted net earnings.

I won't detail the many important events in our company's recent history that created the platform to that growth. As we have seen, this has been well documented over the years, and I would say this is not just by happenstance. Instead, it is the result of the vision and passion of senior

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leadership in the Board, strongly represented by the Sobey family; and as well, the tens of thousand employees who come to work every day in our stores, our retail centres, and our offices to serve the needs of our customers.

Of course, there have been a few bumps along the way. There always are. However, good management, supported by the Board, worked through the bumps to continue a course of long-term growth of sales, profit, and shareholder value. In this regard, I've had the privilege to work with many great leaders, both on the Board and with management. If my count is correct, and as I pointed out last night—actually Natalie helped me with this—I have served with 46 individual Board members since 1987. And that's just for the Empire Board and does not include the Sobey Board when it was a separate Board.

Let me acknowledge the Sobey family members who have served on the Board over the past 30 years, for their collective and individual stewardship of the Company. Also for having the courage to make bold decisions, and for always taking a long-term view of the business. It has and continues to pay off.

I've also had the great pleasure of working with many independent directors over the past years, each of whom have brought unique expertise, perspective, and a commitment to strong governance in the oversight of Empire and continue to play an important role in the Company.

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I also want to thank the senior leadership of our companies, whose principled and disciplined approach to growing our business has helped create a truly national organization with more than 125,000 employees and revenues in excess of \$24 billion.

And to our shareholders, I thank you for your ongoing trust and confidence in us in our journey to create long-term shareholder value for each of you. Thank you very much.

Thank you. And now if I could invite François to come up on the floor and talk about last year, the quarter, and all the good things that are going on. François?

François Vimard — Interim President and Chief Executive Officer, Empire Company Limited

Thank you, Rob. Good morning, everyone, and thank you for being with us this morning.

Fiscal 2016 was, in fact, a disappointing year. We knew that a second phase of our Safeway integration—the integration of our people, distribution channel, private label, and marketing—was going to be hard work simply because of its scope and complexity. But even after careful planning, issues with our private label conversion, our supply chain, and our people transition presented considerable short-term challenges to the business. They were amplified by a difficult economic climate, particularly in Alberta and Saskatchewan.

Consolidated sales were \$24.6 billion this year, an increase of \$690 million or 2.9 percent over last year. The increase in sales was mostly due to the additional week of operation, which accounts for 1.9 percent of the increase. The increase in sales was also the result of food inflation and the Co-op Atlantic acquisition.

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Same-store sales decreased 0.2 percent compared to last year. Excluding the negative impact of fuel sales and the retail West business unit, same-store sales would have increased 1.5 percent.

Consolidated adjusted EBITDA was \$1.16 billion compared to \$1.32 billion last year, a decrease of 160.5 million or 12.1 percent versus last year. We had a net loss of \$2.1 billion this year, mainly due to \$3 billion of pretax impairment charges, which were directly related to our challenge in the West.

Adjusted net earnings for the year were 410.2 million or \$1.50 per diluted share, compared to \$511 million or \$1.84 per diluted share last year.

In fiscal 2016, Empire increased its dividend by 11.1 percent or \$0.40 per share, and in September 2015, we had a three-for-one share split. Then in June 2016, the Board approved a further increase of 2.5 percent to \$0.41 per share on an annualized basis. This is the 21st consecutive annual increase in Empire dividend and represents a compounded annual growth rate of 7.4 percent.

Now let's look at Empire investment in other operations. Crombie REIT performed well in fiscal 2016, contributing \$38.9 million to Empire operating income, an increase of \$8.3 million from last year. The increase is primarily the result of a group of properties sold in Crombie's first quarter of fiscal 2016. The market value of Empire investments in Crombie REIT rose to \$786 million in fiscal 2016 on a cost base of \$366.8 million.

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Our investment in Genstar contributed \$46.7 million to Empire operating income in fiscal 2016, a decrease of \$8 million from the prior year due to stronger regional operational results in fiscal '15. Since our initial investment in 2001, Genstar, which selectively acquires and prepares land for development into massive planned residential communities, has returned approximately \$635 million in cash.

As mentioned earlier, the challenges we faced in fiscal 2016 were driven by difficulty and a number of missteps we made in the transition of Safeway business. I would summarize those challenges under two main themes.

First, we underestimated the impact on our customers that resulted from the number of significant changes we made. The emotional connection the customers had for the Safeway Club Card and the Safeway product label was stronger than we had estimated, and we didn't take enough time to lead our customers through those changes.

Secondly, the additional changes we made with the transition of our produce supply chain and the implementation of our new business system, and the total reorganization of our back office function had an exponential impact on our customers. We were too inward focused during this transition, and we couldn't provide the service our customers deserve or expect. Certainly, the overall downturn in the Western economy didn't help, but most of our challenges were self-inflicted, and we are in a position to improve them.

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As I mentioned, our Better Food For All strategy is the right path to long-term profitability. It is our leadership responsibility to prioritize and advance the critical element of this strategy. Over the short term, we will focus on the following three priorities: building sales, reducing costs, and renewing focus on store-level execution. Let me address each of these three areas of focus.

It's very clear that the challenges we have faced in the business over the past year are driven by erosion in our sales. Initially, and more dramatically in our Western business, but more recently we have seen a softening in other regions of the country.

As I explained earlier, the challenges in the West were mainly self-inflicted as a result of the change we made. Having said that, we are working to rebuild our momentum in that business. But there is also a fundamental shift around price sensitivity of our customers. This shift speaks to why we have been focused on improving our overall value equation through the ongoing enhancement of our offer, as well as the important structural change of our pricing model to the Simplified Buy & Sell initiative. We remain focused on Simplified Buy & Sell, which we launched in the West on September 2nd, and it will be followed by a second rollout to the remaining part of that business.

We will also continue to improve our offering at store level by investing capital in our stores. However, it would be more cautious on where—we will be more cautious on where we will invest the capital and look at opportunities that will have a more immediate impact in improving the offering to our customers without disturbing their shopping habits. They will result in more capital

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towards touching a greater number of stores, allowing for broadest and most consistent rollout of our retail program.

Working with vendors on pricing and a reduction in capital spending are critical elements in our ability to fuel a better price position with our customer. These initiatives alone will not be enough; we must also reduce costs. Our cost base is too high. It is critical that we make every effort to take costs out of this business so that we can reinvest and drive sales. We have different cost stewardship initiatives underway to improve our efficiency, and we must be more cost conscious than ever before. Our strategic initiatives are critical to help reset our value proposition to our customers and see the return of the long-term profitability goal.

But all these initiatives will mean nothing if we do not focus on strengthening the fundamentals at store level so that we can provide a great shopping experience for our customers. We have focused too much on key strategic initiatives. We must never forget that we are in business to serve our customers, and that our stores are the focal point for everything we do. Everything.

Our biggest challenge in the short term is to change the trend we have in our Western business, and these priorities will help us focus on bringing customers back to our store. We remain focused on our vision to be Canada's better food destination. Empire's strong food culture and customer focus, combined with our emphasis on operational excellence and driving efficiency, will help us to create a better food shopping experience that will build long-term customer loyalty.

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I'd like to turn your attention now to Empire's consolidated first quarter results which were released this morning.

Consolidated sales for the first quarter ended August 6, 2016 totalled \$6.19 billion, down \$62.6 million over last year. Same-store sales, excluding fuel, decreased 1.2 percent from last year. Adjusted EBITDA equaled \$243.1 million compared to \$325.2 million last year, a decrease of \$82.1 million.

Adjusted and net earnings, net of non-controlling interests, were \$73.6 million or \$0.27 per share fully diluted compared to \$121.7 million or \$0.44 per share fully diluted last year. Clearly another disappointing quarter. However, we remain focused on key strategic priorities and are confident in our strategy. We believe that with proper execution, we will continue to create long-term value for our stakeholders as we have in the past.

We know that the Canadian food retailing marketplace is continuing to experience a significant shift in customer mindset, but we are confident in the direction we are taking. We also know, however, that it's going to take some time for the changes we are making to have an impact. We have a solid strategy and an engaged and enthusiastic team who have the common passion and shared values. And these all are working—and these are all working together to help us build a strong platform for growth in the years ahead.

On behalf of the leadership team, I'd like to thank all of our employees for their dedication in the challenging year. It will take time, but with 109 years of experience, a strong track record for

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growth, and solid strategy, we believe in the direction we're taking to see the return of long-term profitability growth.

Let me finish my remarks by also extending my sincere thanks and appreciation to Rob Dexter for his outstanding contribution, wise counsel, and commitment to strong governance, all of which have been the hallmarks of his service both as a director and as Chair of the Board. Thank you.

Rob?

Rob Dexter

Thank you, François, for those nice words. Is there any business from the floor? Are there any questions from the floor? I don't wait long. Okay.

May I have a motion to terminate the meeting?

Carol Campbell — Vice President, Risk Management, Empire Company Limited

I move to terminate the meeting.

Rob Dexter

Thanks, Carol. Is there a seconder?

Adam Sheparsi — Senior Vice President, Finance, Empire Company Limited

I second that motion.

Rob Dexter

Thank you, Adam. All those in favour? Opposed?

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September 15, 2016 — 10:00 a.m. E.T.
Empire Company Limited Annual General Meeting

I now declare the motion carried and the meeting terminated.

Thank you all for your attendance. As you all know, you're all invited to come back—shareholders and guests—to Crombie for a lunch. I should note that that's not for the media, but we will talk to the media now. But for everybody else, you're invited and we'll see you all there. Thank you very much again.

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