

FINAL TRANSCRIPT

Empire Company Ltd.

Fourth Quarter Results Conference Call

Event Date/Time: June 26, 2014 — 1:00 p.m. E.T.

Length: 52 minutes

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

**CORPORATE PARTICIPANTS****Stewart Mahoney**

Empire Company Ltd. — Vice President, Treasury and Investor Relations

François Vimard

Empire Company Ltd. — Chief Financial and Administrative Officer

Marc Poulin

Empire Company Ltd. — President and Chief Executive Officer, Sobeys Inc.

CONFERENCE CALL PARTICIPANTS**Perry Caicco**

CIBC World Markets — Analyst

Peter Sklar

BMO Capital Markets — Analyst

Derek Lessard

TD Securities — Analyst

David Hartley

Credit Suisse — Analyst

Jim Durran

Barclays Capital — Analyst

Vishal Shreehar

National Bank — Analyst

Patricia Baker

Scotiabank — Analyst

Chris Li

Bank of America — Analyst

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



PRESENTATION

Operator

Good morning/afternoon. My name is Simon (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the Empire Company Ltd. Fourth Quarter Results Conference Call.

All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press *, then the number 1 on your telephone keypad. If you would like to withdraw your question, please press the # key. Thank you.

Mr. Mahoney, you may begin your conference.

Stewart Mahoney — Vice President, Treasury and Investor Relations, Empire Company Ltd.

Thank you, Simon, and good afternoon and, everyone, thank you for joining us today. Our comments will focus primarily on the financial results for the fourth quarter and fiscal year ended May 3rd.

Following our comments we'll then be open to your questions.

This call is being recorded in live audio on our website at www.empireco.ca.

Joining me on the call this afternoon are Marc Poulin, President and Chief Executive Officer; François Vimard, Chief Financial and Administrative Officer; and Clinton Keay, Executive Vice President Finance.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Today's discussion includes forward-looking statements. We want to caution you that such statements are based on management's assumptions and beliefs. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements, and I'd refer you to the news release and also the MD&A for more information on these assumptions and factors.

I will now turn the call over to François, who will provide a review of Empire's consolidated financial results, and Marc will then discuss Sobeys.

François Vimard — Chief Financial and Administrative Officer, Empire Company Ltd.

Thank you, Stewart, and good afternoon, everyone. Consolidated sales in the fourth quarter were 5.94 billion compared to 4.26 billion last year, an increase of 1.68 billion, or 39.5 percent.

Excluding sales of 1.59 billion related to addition of Safeway store to our network, sales increased by 2.2 percent. We calculate food inflation in the quarter at slightly lower than 1 percent.

Same-store sales growth was 0.2 percent in the quarter. Same-store sales were impacted by relatively low food inflation, increased competitive square footage in the market, and ongoing competitive intensity.

Consolidated sales for the fiscal 2014 were 21 billion, an increase of 3.59 billion, or 20.6 percent compared to last year, up 2.2 percent, excluding the impact of the Canada Safeway acquisition. Same-store sales show no change compared to last year on an annual basis.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Consolidated EBITDA in the fourth quarter was 147.4 million compared to 238.6 million in the fourth quarter last year. EBITDA was impacted by store network rationalizations and the restructuring costs of 169.8 million, which were included in selling and administrative expenses.

Partially offsetting these costs was EBITDA of 89.5 million related to the addition of Safeway stores to our network. Adjusted EBITDA in the fourth quarter was 318.7 million versus 277.4 million last quarter and 230.1 million in Q4 last year, a 38.5 percent increase over last year.

In the quarter we realized 23 million of cost reduction synergies. For the full year, consolidated EBITDA amounted to 755 million compared to 918 million last year. This decline primarily related to network rationalization costs of 169.8 million, as mentioned, along with transaction costs of 97.8 million associated with the Canada Safeway acquisition; a decrease in gain on the disposal of assets compared to the prior year of 18.4 million; and a onetime inventory adjustment of 17.1 million. These adjustments were partially offset by 172.7 million in EBITDA related to the addition of Safeway stores.

We completed some negotiation in Q4, which accelerated the pace of our synergy capture, so overall we are well on track to achieve 100 million in annual run rate synergy by the end of the fiscal year.

Adjusted EBITDA in fiscal 2014 was 1 billion 43.3 million compared to 898.3 million last year, an increase of 145 million, or 16 percent.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



June 26, 2014 — 1:00 p.m. E.T.

Empire Company Ltd. Fourth Quarter Results Conference Call

Finance costs net of finance income in the fourth quarter were 47.6 million, up 34 million over last year due to the increased debt level as a result of financing for the Canada Safeway acquisition. Finance costs net of finance income for the 52 weeks ended May 3, 2014, were 133.2 million, an increase of 77.8 million from the 55.4 million recorded last year, again due to the financing of the Canada Safeway acquisition.

During the quarter, the Company completed a remeasurement of its deferred income tax provision and adjusted certain deferred tax attribute and the associated substantially enacted rate that's been applied. This remeasurement resulted in a tax recovery of 20.7 million in the current fiscal year.

As a result of this recovery, the Company's effective income tax rate on continuing operations for fiscal 2014 was 18.6 percent compared to 26.3 percent in fiscal 2013.

In the fourth quarter, Empire recorded adjusted net earnings from continuing operations net of noncontrolling interest of 131.3 million, \$1.42 per diluted share, compared to 95.7 million, \$1.40 per diluted share last year, this year based on 92.4 million shares outstanding versus 68.1 million last year.

For fiscal 2014, Empire recorded adjusted net earnings from continuing operations net of noncontrolling interest of 383.1 million, or \$4.78 per share, compared to 356.8 million, or \$5.24 per share last year, based on the weighted average number of shares outstanding of 80.2 million this year versus 68.1 last year.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



With respect to our overall consolidated financial condition, at the end of the fourth quarter, Empire's consolidated ratio of funded debt to total capital was 38 percent compared to 40.6 percent last quarter. Cash and cash equivalents equalled 429 million.

Since the acquisition of Canada Safeway through the end of this fiscal year, we have repaid 668 million in acquisition debt. Free cash flow was 626 million in the quarter and 869 million for the fiscal year, both more than double last year.

Now I'd like to make a few remarks on Empire investment in other operations, largely comprised of equity interest in Crombie REIT and Genstar. Total adjusted net earnings from continuing operations from investment in other operations in the fourth quarter were 19.1 million compared to 15.1 million last year.

On the residential property side, Genstar contributed operating income of 10.9 million in the fourth quarter compared to 13.7 million last quarter. Crombie contributed operating income of 6.9 million versus 4.9 million last year.

At the end of the fourth quarter, the fair value of our 41.6 equity accounted ownership interest in Crombie REIT, 39.3 percent fully diluted, was 683 million on a carrying value of 334 million.

Subsequent to the end of the fiscal year on May 30th, Empire invested approximately 40 million in Crombie issuance of unit. This resulted in Empire basic ownership interest decreasing to 41.5. Empire now holds 54.17 million units of Crombie.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



For detailed information on Crombie REIT's performance, please see their latest quarterly release dated May 14th.

I will now turn the call over to Marc Poulin.

Marc Poulin — President and Chief Executive Officer, Sobeys Inc., Empire Company Ltd.

Thank you, François, and good afternoon, everyone. Our growth in consolidated sales of 39.5 percent and in adjusted EBITDA of 38.5 percent from the fourth quarter last year largely reflects the initial impact of the Canada Safeway acquisition and a new and innovative commercial program as part of the Company's strategy to help Canadians Eat Better, Feel Better, and Do Better in what remains a highly competitive marketplace.

Consistent with our growth and the improvement in our financial position, we announced today an increase in Empire's quarterly dividend per share from \$0.26 per share to \$0.27 per share, a 3.8 percent increase. This marks the 19th consecutive year of Empire dividend increases.

The market environment in the fourth quarter remained challenging. Promotional activity was intense, combined with the effects of additional square footage across the country.

We continued to be priced competitive to protect our market share, and we followed up on the development and rollout of our new commercial programs aligned with our Better Food for All movement.

Sobeys gross profit in the fourth quarter increased 517 million from last year to \$1.51 billion, with gross margin up 199 basis points from 23.46 percent to 25.45 percent. The increase in

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



June 26, 2014 — 1:00 p.m. E.T.

Empire Company Ltd. Fourth Quarter Results Conference Call

gross profit and gross margin is largely a result of a 502 million gross profit contribution related to the addition of Safeway stores to our network.

Excluding the impact related to Canada Safeway, gross margin would have been 23.18 percent, a decrease of 28 basis points compared to the fourth quarter last year. Gross profit and gross margin continue to be impacted by inventory shrink associated with the new and innovative commercial program as part of Sobeys strategy to help Canadians Eat Better, Feel Better, and Do Better. However, this trend was improved over Q3, and we are confident that we're putting in place the appropriate measures to continue to reduce our shrink and grow our sales.

A highly promotional environment was also a factor, a weaker Canadian dollar relative to the US dollar which affected the Canadian cost of US purchases, and ongoing drug regulatory reform, which impacted a number of generic products and generic prescription reimbursement rates.

I'll now provide some highlights on our progress on integrating the Safeway business and also on cost reduction.

The technical integration of Safeway is on track, which primarily involves the adoption of SAP functionality and Sobeys' IT infrastructure. This includes the conversion of transactional system with finance, payroll, stores, merchandising, and distribution. This integration when complete will allow us to fully leverage Sobeys' national SAP platform.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



June 26, 2014 — 1:00 p.m. E.T.

Empire Company Ltd. Fourth Quarter Results Conference Call

During the quarter, we successfully transitioned the first wave of stores in BC to our new POS system, as well as three RSEs (phon) to our EXE warehouse management system.

Our synergy work progress in each functional area is going as planned. Overall, we remain confident in our ability to deliver 100 million of run rate cost synergies at the end of the first year, and 200 million in annual run rate cost synergies at the end of a three-year period.

On customer loyalty. As you may know, we announced on June 24th that Sobeys and LoyaltyOne company, owner of the Air Miles Reward Program in Canada, have signed a long-term agreement which includes all of Sobeys' own banner in Atlantic Canada, Quebec, and Western Canada.

This brings the Air Miles Reward Program to Sobeys, IGA, Thrifty Foods, and Sobeys Liquor Stores in BC, Alberta, Saskatchewan, and Manitoba in the fall of 2014, and continues the partnership in Safeway and Safeway Wine & Spirits stores across the West.

Current loyalty programs in Sobeys Western Canada stores and associated co-branded credit card products will transition to the Air Miles Reward Program upon launch this fall. This will offer our customers in Western Canada an even more rewarding experience in our stores.

On cost reduction. We continue our relentless focus on securing operational efficiencies and cost reductions across the organization, leveraging, among other things, our centralized shared service model to eliminate unnecessary and duplicate costs.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Also, as François mentioned, we completed a review of Sobeys retail store network in the fourth quarter. This was a detailed full review, which aligns with management's ongoing focus on enhancing productivity and performance of the network.

Following up the acquisition of Safeway and based on this detailed review, Sobeys determined that consistently underperforming retail stores representing approximately 1.5 million of gross square footage, or 3.8 percent of total retail network gross square footage, will close.

Approximately 60 percent of the affected stores are located in Western Canada. We have already informed the vast majority of the stores that will be impacted, and while these are always difficult decisions to make and are cognizant of the hardship these create, this rationalization will strengthen the quality of Sobeys' store network and is expected to improve net earnings as a result of cost savings.

And we are moving forward with an expansion of the Vaughan facility to handle frozen and dairy for our stores in the Province of Ontario. When the expansion is completed in 2016, distribution of produce and meat categories will be consolidated.

As well, we have already made substantial divestment of noncore assets, and will continue to access our other noncore assets as a means to reduce our debt and make our operations more efficient to reduce costs and improve productivity.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



June 26, 2014 — 1:00 p.m. E.T.

Empire Company Ltd. Fourth Quarter Results Conference Call

In addition to the announcement we made in the third quarter to close the Winnipeg cheese and ice cream plant, earlier this week we also announced the closure of our juice and grocery manufacturing facility in Taber, Alberta. These actions will result in reduced SG&A costs.

We are in the final stages of completing our assessment of the other manufacturing facilities acquired as part of the Canada Safeway purchase, assets which we consider to be both viable and productive. Clearly we have learned a lot from this process, and will assess our options with a view to do what is right for the business. After all, it's all about maximizing the value to the shareholders.

Going forward, we will continue to work diligently to successfully integrate the Canada Safeway business and to promote our Better Food for All culture, while at the same time continuing to drive costs out of our business.

The recent store network review completed in the fourth quarter and subsequent rationalization not only aligns with this, but will strengthen the quality of our store network, and is expected, along with other initiatives, to enhance overall performance and net earnings in the future.

Notwithstanding the significant focus we have put on the effective integration of Canada Safeway, we also continue to advance our business by improving our overall customer value proposition through our Better Food for All movement.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



In the fourth quarter, we opened two new Better Food for All concept stores in Flamborough and North London, Ontario, and we opened two new Sobeys Extra stores in Ancaster and Aurora in Ontario as well. We are very pleased with the customer response to our new concept stores, and plan to continue to roll out new stores throughout fiscal 2015, including the grand opening tomorrow of our new Newcastle store in Edmonton.

We remain confident that we will continue to profitably grow the business. Our long-term growth prospects remain firmly intact.

We will now be happy to respond to your questions.

Q&A

Operator

Ladies and gentlemen, at this time if you would like to ask a question, please press *, then the number 1 on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Your first question comes from the line of Perry Caicco with CIBC World Markets. Your line is open.

Perry Caicco — CIBC World Markets

Thanks. Just I want to start with a couple questions on the same-store sales number. You said inflation was relatively low. Was there inflation in the quarter?

François Vimard

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



June 26, 2014 — 1:00 p.m. E.T.

Empire Company Ltd. Fourth Quarter Results Conference Call

Yeah. We said it was a bit lower than 1 percent, Perry.

Perry Caicco

Okay. And on the same-store sales, can you give us any indication of strengths and weaknesses by region?

Marc Poulin

You try every time. So as you know, we don't give numbers per region. What we can give you, though, is that the trend improved throughout the quarter, but we also saw inflationary pressure augment as the quarter progressed. So obviously that's also a factor.

Perry Caicco

And on the store closures, besides the number that's in the west, can you give us the general geography of the other closures?

François Vimard

It's across the country, Perry.

Perry Caicco

Is Ontario the vast majority of the rest?

François Vimard

No. There is also in Atlantic and Quebec also.

Perry Caicco

Will those stores be re-leased or otherwise sold or given to other competitors?

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

**François Vimard**

We're managing the right way to recapture as much of sales we can without—with say putting those square footage back on the market.

Marc Poulin

I think it's important to note also that, I don't know if that was said, about 15 of those stores are stores of fairly low square footage; 15 of those stores are 20,000 square feet or less.

Perry Caicco

And will those closures impact same-store sales at any nearby Sobeys or Safeway stores?

François Vimard

That should have a positive impact.

Perry Caicco

Okay. And then I'll just finish with a couple questions on the west. When will you make banner decisions around the western assets?

Marc Poulin

Well, clearly our first priority and the one that we're focusing on right now is the integration of systems. As you can imagine, until that milestone is achieved we will not work at integrating the commercial offer of the two programs we're currently running out west on the full-service stores. That's when an appropriate decision making around our banner strategy will occur.

So we've done a lot of work on systems, we still have a lot to do, so...

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



June 26, 2014 — 1:00 p.m. E.T.

Empire Company Ltd. Fourth Quarter Results Conference Call

Perry Caicco

Okay.

Marc Poulin

And our focus right now is clearly on making that important step successful, as it is the basis for future enhancement into the business.

Perry Caicco

And just my last question, if I could; how do you see Safeway's gross margins progressing? Was Q4 a good indicator? Or will price adjustments be needed?

Marc Poulin

Well, how the market behaves is clearly a big factor in all of these decisions. As much as I'd like to give you projections, unfortunately this market is extremely dynamic and we have to behave as such.

That being said, we're also working on various ways to enhance our price perception by realigning pricing in some categories, trying to—so there's numerous elements. And a lot of this is work in progress, but that's, to be honest, as grocers we always do also and this market even more than other markets because it's extremely dynamic.

Perry Caicco

Okay. Thanks.

Operator

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Your next question comes from the line of Peter Sklar with BMO Capital Markets. Your line is open.

Peter Sklar — BMO Capital Markets

Thank you. First on the 30 stores that you're selling as per your agreement with the Competition Bureau, can you let us know where you're at? Are the stores sold? And when did they close?

Marc Poulin

Well, they are all sold and transactions closed, but one. There's one store that's still not—we haven't performed the actual close of the transaction. Most of that occurred in...

François Vimard

Half of it in Q4 and half in Q1.

Marc Poulin

Yeah. Half of it in Q4 and half of it will occur in Q1.

Peter Sklar

Okay.

Marc Poulin

And was more towards the end of Q4 than the early part of the quarter.

Peter Sklar

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Okay. And then on the—going back to the restructuring and the 50 store closures. You said that 60 percent is out west, so 30 stores. Can you give us the split between those 30 stores how many are going to be Sobeys banners and how many are going to be Safeway banners?

François Vimard

No. We won't give the specific details. It's a mix of both stores. I would say, like we said, we look at all the underperforming, and Marc mentioned also that some of them were pretty smaller square footage stores, so it's a mix of both banners.

Peter Sklar

Okay. And...

Marc Poulin

I think it's important, it's not only Safeway and Sobeys. There are a number of stores, as you can imagine, from the 15 stores that have less than 20,000 square feet in square footage. That includes Foodland stores, IGA stores in the west, Cash & Carry. I mean we really looked at every single one of the assets that we had owned or had a lease on.

Peter Sklar

Okay. And you indicated in your commentary that like this restructuring will improve net income. Like will you see that effect immediately in the results? Or is there work to do before you start to see the synergies of the closures?

François Vimard

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



It will have clearly an accretive impact over fiscal '15. That's going to take—some will be direct because the closure is almost certainly (phon); others will take more time, but you should see that over the next, I would say, quarter or so seeing the impact becoming positive.

Peter Sklar

Right. And what is the accounting treatment of the store closures? I notice you did not classify them as discontinued operations in your fiscal 2014. What's the accounting treatment going forward?

François Vimard

The accounting treatment is we have a provision took for those stores, and so they're going to be part of our operation up to the point they'll formally close, but it's not discontinued. And we didn't consider that a discontinued operation.

As you know, Peter, we do close doors on a regular basis. This time it's a bit more than usually, and it's in a context of like we said the acquisition of Safeway we look at it. So we're going to treat that the same way we treat any closing of stores.

Peter Sklar

Okay. And then just lastly, can you just talk about the weak Canadian dollar, the impact on your procurement costs, and how successful or not you've been in terms of trying to pass through those costs at retail?

Marc Poulin

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



June 26, 2014 — 1:00 p.m. E.T.

Empire Company Ltd. Fourth Quarter Results Conference Call

Well, that trend obviously has been going on for a little while, so I think the industry overall is adapting. Obviously some services we procure in US dollars, just think about the IT services we're procuring from Safeway US translated in Canadian dollar increased in the—resulted in an increase in our cost structure.

Overall, Canadian dollar is a factor. I would argue, that the raise in prices of some commodities, especially on the meat side of things, proteins, right now are clearly more something that needs to be managed with attention. On that front we're seeing some prices being passed along to consumers, but as you know, there's always a lag between the cost increase and our ability to price it to consumers. But we're seeing some movement on both counts right now.

Peter Sklar

Okay. Thank you.

Operator

Your next question comes from the line of Michael Van Aelst with TD Securities. Your line is open.

Derek Lessard — TD Securities

Yeah. Thanks, guys. It's actually Derek standing in for Mike. And just in terms of the—in regards to the network rationalization, can you maybe just provide us an update on your expectations for square footage growth?

François Vimard

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Besides the rationalization, like we said, I would say our growth should be in a range of between 1 and 2 percent on an annual basis. And it's part of our capital plan, so you should forecast the same kind of growth.

Derek Lessard

Okay. And what should we be modelling in terms of your tax rate in the coming quarters?

François Vimard

Yeah. In the coming quarters the normal tax rate should be in a range of 26 percent.

Derek Lessard

Okay. And just one final housekeeping question; in other income, how is it that the lease revenue was an expense in Q4?

François Vimard

Okay. That's a good question. Let our people check a bit; I'm not sure of the detail of that. So let's come back to that.

Derek Lessard

Okay. Thanks. Thanks, guys.

Operator

Your next question comes from the line of David Hartley with Credit Suisse. Your line is open.

David Hartley — Credit Suisse

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



June 26, 2014 — 1:00 p.m. E.T.

Empire Company Ltd. Fourth Quarter Results Conference Call

Thanks. Good afternoon. Just on the 50 stores, when you first made the acquisition and you thought about Competition Bureau and the 30 stores and potentially closing stores, with what's happened now was that kind of part of your plan? Were there more stores than you expected? Or does it really come down to square footage? Can you give us some colour there on what you're thinking and what has kind of transpired?

Marc Poulin

Well, basically obviously after an acquisition of this size we thought it made sense that we would relook and we didn't only relooked at the western business. We relooked at the country as a whole and relooked market by market what assets we currently had in the market, what assets were performing, the ones that were not performing to expectation, and basically what was the long-term plan for developing our network. And basically put the footprint in front of the customers that we'll deliver on our Better Food for All offer.

So basically we went market by market and relooked strategically about what needed to be done to achieve. And obviously what you're seeing today is some conclusions in terms of store closures, stores that have been consistently underperforming versus expectation, and for which we determined that they would not fit in the long-term desired outcome in terms of strategy.

Obviously another part of this work, which is obviously going to be far less visible at this stage for you, is our real estate development plan that followed through this thorough review of our position in each market. And obviously, as you can imagine, after an acquisition such as Safeway we

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



June 26, 2014 — 1:00 p.m. E.T.

Empire Company Ltd. Fourth Quarter Results Conference Call

looked—we had to redesign a totally new different real estate strategy because there are stores here that we acquired that obviously fitted very well in our overall portfolio and, therefore, we will not have to seek a new location for those markets; we've acquired one.

So what's visible today is the part that's related to the stores that didn't play a strategic role in the long-term future of the Company and that were consistently underperformers. What's not as visible is the new real estate plan that—and development plan that's a result of that analysis.

David Hartley

Okay. And just on the real estate, you still have significant real estate owned by the Company that hasn't been vended into the Crombie REIT. Can you give us a sense of what you're thinking there in terms of potentially vending some of that property in?

Marc Poulin

As you know, our strategies at Sobeys is not to be a long-term holder of real estate. We always have a strategy where we basically will develop sites, or in this case sites that we've acquired, eventually feed Crombie with opportunities to acquire real estate. So that overall strategy of ours hasn't changed.

And, therefore, the same thing with new sites we're developing. We will continue to offer opportunities for Crombie to acquire locations.

François Vimard

And so you should see more going to Crombie during this year in a more normal pattern.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



June 26, 2014 — 1:00 p.m. E.T.

Empire Company Ltd. Fourth Quarter Results Conference Call

David Hartley

Got it. Okay. And just back to the 50 stores. I imagine it's a mix of stores that aren't profitable and those with very low ROIs relative to your acceptable benchmark. I mean could you give us an idea of the drag on profitability? I got to figure there's got to be a significant one. I mean you're only doing \$265 a square foot in these stores based on some loose math in sales. Can you give us any colour there at all?

Marc Poulin

Well, obviously they were consistently underperforming stores for which we didn't see an opportunity to reverse the trend in profitability and, therefore, that's the reason why we had to take that hard decisions for those stores. I think it's also important to note that it's a question of focus for the operation.

Whether we like it or not, in retail, stores that are underperforming do require an awful lot of management attention. And that's not—for stores that don't have a future we are of the belief that that management attention was not put to its proper use. By basically closing those stores, as hard as it is a hard decision to take, it will allow us to focus attention on stores with more potential.

David Hartley

And just last question, if I can. Just you mentioned in your remarks on the call that some of the actions you're taking now will accelerate—I think those were the words—the speed in which you can get synergies. Did I hear that correctly? Is \$100 million now in the first 12 months a very

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



June 26, 2014 — 1:00 p.m. E.T.

Empire Company Ltd. Fourth Quarter Results Conference Call

easily attainable target now in your mind? And has the synergy pool of \$200 million actually increased?

François Vimard

What we said is that in Q4 we did accelerate and catch up on some negotiation with our suppliers. So that's where we had some catch-up happening in Q4, so the trend you see in Q4 at 23 million is a higher pace because we had some catch-up done.

But we're saying that at the end you should see the \$100 million run rate at the end of the first year like we've said, and so we're on the same pace as that at this stage. Clearly, we still considering that we have 200 million still a lot of work to be done. But that should—your model should still reflect those end targets.

David Hartley

So that 23 million, is that—that was the run rate for the quarter? Or the actual hard dollars collected?

François Vimard

That was the actual hard dollars in the quarter, but like I said, part of that is some catch-up that in term of finalizing negotiation that start in Q3.

David Hartley

That's great. Thanks a lot.

François Vimard

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



June 26, 2014 — 1:00 p.m. E.T.

Empire Company Ltd. Fourth Quarter Results Conference Call

Okay.

Operator

Your next question comes from the line of Jim Durran with Barclay. Your line is open.

Jim Durran — Barclays Capital

Good afternoon. On the Sobeys business in the quarter, would you say that there was any improvement in your traffic trend versus what you had in Q3?

Marc Poulin

I mean overall the market remains very difficult. As the quarter progressed some parts of the business, yeah, did see improvement. But I'm not going to say that the market is not tough.

It's we've got to fight for every single customer every single day. So we're talking at the margin, let's be honest here. It's not—but we're seeing consumers are reacting positively to the new programs we've introduced, so that's if you want to see that as a precursor of future opportunities for the Company I would be encouraged by that.

Jim Durran

Okay. On the Safeway business, and it would also affect Sobeys, obviously, the changes that the pharmacy associations implemented for Alberta and BC and I know you got a stay in Alberta. Would it have had a different impact this quarter than it did in the previous quarter? And how should we think about the next few quarters?

Marc Poulin

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



No, impacts were similar. Unfortunately, the BC business is still being impacted by that decision. Obviously Alberta is postponed because of this state and, therefore, we truly hope that we will win our day court, and that we will not have to suffer the same impact in Alberta.

Jim Durran

And with the Safeway business in the quarter, how would you describe how it performed this quarter versus how you saw it perform in the previous quarter on a year-over-year basis?

Marc Poulin

I think what we saw in Q4 is pretty much in line with what we saw in Q3 on that business, so the trends have been fairly stable. That being said, obviously as we said in Q3, business came to us with a little bit less momentum than we would have liked, and the team are putting together plans to reverse that trend.

We introduced a new flyer in the market; we're doing some tests on the price files in some markets to determine changes that we could apply to the way we go to market to improve better perception of the value we offer customers. We also introduced a series of new commercial programs in the Safeway business as well that are performing well, and the early signs on those are positive.

So we're in that movement, if you want to put it that way, and we're clearly, despite the fact that the team is working very hard at implementing new systems, we are also improving and working hard on providing better value to our customers.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

**François Vimard**

And, Jim, just an additional comment on the Safeway numbers; as you know, considering the divestiture of stores, the synergy work, the announcement of rationalization we just announced, and the integration of the business, we're thinking it's going to be more and more difficult to disclose Safeway as an entity separate like that. So you should foresee that starting in Q1 2015 that's going to be integrated in our numbers because it's starting to be so mixed in our business that that's not something we're going to disclose separately going forward.

Jim Durran

Okay. So just partly on that then just wanted to confirm a couple of things. First of all, the positive impact that the store closures will ultimately have, is that being included in your synergy estimates for Safeway? Or is that still being kept separate?

François Vimard

No, that's separate.

Marc Poulin

That's a different decision. The \$2 million is cost, strictly cost synergies, and not associated with decisions relative to the marketplace.

Jim Durran

Okay. And so then you're selling off 30 stores, you're closing 50 stores. Can you provide us with some idea as to how much EBITDA we're going to watch get impacted here?

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



June 26, 2014 — 1:00 p.m. E.T.

Empire Company Ltd. Fourth Quarter Results Conference Call

Marc Poulin

Well, as you know, we're not providing forward-looking statements on EBITDA and things of that nature, so we haven't changed that policy.

François Vimard

But one element I was saying, Jim, the closure of—the rationalization of Sobeys is seen as a positive impact on our earnings.

Jim Durran

Yeah. No, understood, understood. Okay. Thank you very much.

Operator

Your next question comes from the line of Vishal Shreehar with National Bank. Your line is open.

Vishal Shreehar — National Bank

Hi. Thanks for taking my questions. With respect to the stores that will be closed in talking about the 50, will you still be paying rent on those units after they're closed?

François Vimard

That's—if you look at the details of our press release, we have the provision for onerous leases...

Vishal Shreehar

Right.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

**François Vimard**

And that's what it is.

Vishal Shreehar

So all closures you'll still be paying rent?

François Vimard

We're paying rent, but we already provisioned for it in our numbers in Q4.

Vishal Shreehar

Okay. Understood. So when you report in IFRS earning in the future then that rent expense won't be reflected in the actual P&L, but will reflect in the cash flow; is that correct?

François Vimard

Exactly.

Vishal Shreehar

Okay. Does—do these store closures, do they help your debt metrics with respect to the lease expense?

François Vimard

Because they're going to still be—they're going to be outside the P&L, so somewhat they will, but our debt ratio if you notice what we did in Q4 and so far what we're doing is pretty good, so our debt ratio is improving. But you're right, that is going to have some positive impact.

Stewart Mahoney

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



It also has a positive impact on the numerator. The EBITDA number it'll be...

François Vimard

Yeah.

Stewart Mahoney

Positive there because the payback's very attractive on those closings.

Vishal Shreedhaar

Okay. So it helps the EBITDA by some amount due to the savings...

Stewart Mahoney

Yeah.

Vishal Shreedhaar

And it lowers the lease expense number as well.

Stewart Mahoney

Yeah.

Vishal Shreedhaar

Okay. What is your new run rate lease expense?

François Vimard

Run rate lease expense?

Vishal Shreedhaar

Yeah. So we could calculate your debt metric.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »

**Stewart Mahoney**

Yeah. The gross amount is about 570 million, so you can put a rate on that of between 6, 7, 8 times, but certainly on a lease-adjusted basis we're tracking well under Q3. And that's related to paying off 668 million in debt since the acquisition, and also with some EBITDA improvement.

Vishal Shreedhaar

Okay. So that 570, that reflects that 50 that you're getting rid of, right?

Stewart Mahoney

Yeah. The 570 would be number you'd see on the fiscal year-end statement.

François Vimard

Yeah. That's the current number.

Stewart Mahoney

Current number.

François Vimard

It's not adjusted...

Stewart Mahoney

So it's not adjusted...

François Vimard

Yeah.

Vishal Shreedhaar

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



June 26, 2014 — 1:00 p.m. E.T.

Empire Company Ltd. Fourth Quarter Results Conference Call

Okay. And with respect to inflation, just if you could help me understand this a little better, just a little bit of a broad question. There hasn't been inflation, substantial inflation in the market for some time, call it, several years. Now we're seeing a little bit come through and we're finding grocers having a tough time to pass it in some instances; just wanted to get your perspective on that. Is the inflation that you're seeing right now, is that a positive thing from your standpoint? Or is that something that you'd prefer not to have?

Marc Poulin

I think overall obviously we'd like at least to see inflation to be in line with inflation in other costs, because whether we like it or not, grocers tend to base their margin as a percentage of their sales. And if we're seeing our labour costs or energy costs or others increasing at a faster pace than food inflation that means we need to recover in the form of higher margins, which is always difficult to do. So from that perspective I think it's somewhat positive.

That being said, a lot of that inflation is in commodities that tends to fluctuate quite a bit, like meat or produce or these kind of commodities where we adjust typically as an industry with a lag, but we tend to adjust nonetheless faster than you do in grocery, and it takes a little bit less to the register, if you want to put it that way, because today may be inflation, next week may be deflation in some of those categories. And when it deflates we also adjust to the downside, so it's kind of—it's not necessarily a clear long-term win from that perspective.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



That being said, I think we're—the cost base on a lot of our suppliers is right now being challenged and, therefore, will force everybody to relook at their price—costing and pricing outlook for the future. So it's not—I think it's fair to expect that we will have a little bit more inflation this year than we've had in past years.

Vishal Shreedhaar

Okay. And with the respect to the Vaughn facility, the expansion, correct me if I'm wrong, but the benefits are expected to start coming through is fiscal '16 or 2016?

François Vimard

We think that that's going to open in fiscal 2016, so it's going to start at the end of '16, beginning of '17.

Vishal Shreedhaar

Okay. And no indications on expected savings from that? Or any help there?

François Vimard

No, no.

Vishal Shreedhaar

Okay. I appreciate your time. Thanks.

François Vimard

Thanks.

Operator

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Your next question comes from the line of Patricia Baker with Scotiabank. Your line is open.

Patricia Baker — Scotiabank

Thank you very much. Most of my questions have asked, but I have a few follow-ups. I think somewhere in the opening remarks you discussed the fact that the impact of rolling out the new commercial programs on shrink to the gross margin that that trend improved in Q4 over Q3. Are we right to assume that as we go through the next several quarters, and as those programs mature, we'll see a further reduction of the impact on shrink in the gross margin?

Marc Poulin

Clearly that's what we're working towards, and I think in Q3 as the quarter progressed so did our performance on that front. That being said, I'm not going to say that it's a done deal. It requires lots of work from our teams, and we obviously diligently work at achieving those and bringing back our shrink numbers to levels that are in line with our expectations.

Patricia Baker

That's helpful. Now, Mark, you did say that when it came to the Food for All commercial programs you said that you're encouraged by what you're seeing. Are there any other sort of—is it too early for you to give us any sort of trends in what you're seeing there? Or how it's performing? How the customers are responding? Or we have to wait a while for that?

Mark Poulin

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Yeah. I guess at this stage we obviously measure, as you can imagine, especially the new store format that a Sobeys store like Burlington, for example, has eight months of life now and the stores that were launched initially, although we launched a number of ones just after the new year. So overall these stores, the metrics on these stores are very positive, and we're very encouraged.

As far as the other commercial programs, it's still a little bit early to go in terms of customer acceptance beyond what we obviously see from sales, but from a more qualitative point of view that's research that we're not in a position to share at this stage.

Patricia Baker

That's fair. Okay. You discussed that you finished—I think you said in your remarks that you finished the analysis of the other manufacturing facilities that you acquired with Safeway Canada. And I wasn't sure whether at the end of that discussion you actually gave us a conclusion that these are all assets that you're going to keep, or have you made decisions about all those manufacturing assets yet?

Mark Poulin

What we've determined at this stage is that the other facilities, apart from the two we closed, are facilities that are viable and going concerns.

Patricia Baker

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



So they're keepers. Okay. And then thirdly, if you don't mind, can you share anything with us about fiscal 2015 and sort of the key milestones that we should be looking for or that you'll be focused on with respect to the integration?

Mark Poulin

Well, the key milestone for this year is clearly systems, so for us the number of stores we have to convert to our new POS system, which is all of them, but by the time line we've set forward to ourselves; the conversion of our distribution centres to the warehouse management system that we use at Sobeys, which is EXE, so on that front we've done four with nine to go; and then obviously another key milestone is when we've done the conversion in Safeway of some financial systems to SAP, which is usually the first phase of an SAP conversion, but the key merchandising and systems are still to be done, and that's another key milestone.

So for this year, to be honest, it's really, really, really that focus that's key. I would say it's not related—well, it's part of our integration plan that relates to Safeway; obviously it's the launch of Air Miles in Western Canada in replacement of Club Thrifty Foods or Club Sobeys that will occur in the fall. So that's another key milestone as it creates a much stronger loyalty platform across a great number of stores for our business in Western Canada. So I would say that's another key milestone. And obviously there are savings, as we mentioned in the past, of running only one loyalty program instead of two.

Patrick Baker

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Thank you so much, Marc.

Mark Poulin

Pleasure.

Operator

Ladies and gentlemen, again if you would like to ask a question, please press *, then the number 1 on your telephone keypad.

Your next question comes from the line of Chris Li with Bank of America. Your line is open.

Chris Li — Bank of America

Hi. Good afternoon. Just a few admin questions for me; first with respect to the 23 million synergies, did you break out how much of that was from cost of goods sold versus operating expenses?

François Vimard

Chris, we won't separate that in the future. We're going report that as a total bucket. Like we said, it comes from four different activities we're doing in different fields, but overall we report on the total.

Chris Li

Okay. And for the store closures, just the timing of those 400 million of annualized revenues that will be gone. From a modelling perspective, should we kind of think about it in sort of

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



100 million each quarter going forward? Or is that going to just come off right at once? Or how should we be thinking about that?

François Vimard

Yeah. About 400 million is an annual number, so it's on an annual basis, so most of those stores will be closed between Q1, Q2. So you can see the trend going on over the next Q3, Q4 numbers.

Chris Li

Q3 and Q4. Okay.

François Vimard

Yeah.

Chris Li

And is there—the depreciation expense associated with those closed stores, is that in line more or less with your existing stores like just again...

François Vimard

I would say we had a big part of those stores, Chris, that were already impaired assets, so the impaired assets hit was already taken. And we have disclosed, I think, the number of onetime costs coming from the property side, so you can try to evaluate the kind of amortization attached to it.

Chris Li

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Okay. So to the D&A expense won't be impacted going forward?

François Vimard

A bit, but not that much. You have the numbers—you have, I think, in our press release the dollars associated with property and equipment write-off we had to take for those stores.

Chris Li

Okay.

François Vimard

But based on that, based on the normal depreciation policy you can estimate the D&A impact.

Chris Li

Okay. Great. Thank you.

François Vimard

Thanks.

Operator

There are no further questions at this time. I turn the call back over to our presenters.

Stewart Mahoney

Thank you, Simon, and thank you, ladies and gentlemen, for joining us. We appreciate your continued interest in Empire, and look forward to having you join us for our Q1 fiscal '15 call on September 11th.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »



Good-bye.

Operator

Ladies and gentlemen, this concludes today's conference call. You may now disconnect.

"Though CNW Group has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. CNW Group will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que CNW Telbec ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. CNW Telbec ne peut être tenue responsable de pertes ou profits, responsabilités ou dommages causés par ou découlant directement, indirectement, accidentellement ou corrélativement à l'utilisation de ce texte ou toute erreur qu'il contiendrait. »