

FINAL TRANSCRIPT

Empire Company Limited

Empire Company Limited Announcement of the Sobeys Agreement to Acquire Canada Safeway Conference Call

Event Date/Time: June 12, 2013 — 5:00 p.m. E.T.

Length: 44 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. »

June 12, 2013 — 5:00 p.m. E.T.

Empire Company Limited Empire Company Limited Announcement of
the Sobeys Agreement to Acquire Canada Safeway Conference Call**CORPORATE PARTICIPANTS****Paul Beesley***Empire Company Limited — Executive Vice President and Chief Financial Officer***Paul Sobey***Empire Company Limited — President and Chief Executive Officer***Marc Poulin***Sobeys Inc. — President and Chief Executive Officer***Paul Jewer***Empire Company Limited — Chief Financial Officer***François Vimard***Sobeys Inc. — Executive Vice President***CONFERENCE CALL PARTICIPANTS****Perry Caicco***CIBC World Markets — Analyst***Peter Sklar***BMO Capital Markets — Analyst***Chris Li***Bank of America — Analyst***Jim Durran***Barclays — Analyst***Irene Nattel***RBC Capital Markets — Analyst***Michael Van Aelst***TD Securities — 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. »

June 12, 2013 — 5:00 p.m. E.T.

Empire Company Limited Empire Company Limited Announcement of
the Sobeys Agreement to Acquire Canada Safeway Conference Call**Patricia Baker***Scotiabank — Analyst***Kazi Stastna***Canadian Broadcasting Corporation — Analyst***Keith Howlett***Desjardins Securities — Analyst***Ed Martinez***TD Securities — 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. »

June 12, 2013 — 5:00 p.m. E.T.

Empire Company Limited Empire Company Limited Announcement of
the Sobeys Agreement to Acquire Canada Safeway Conference Call**PRESENTATION****Operator**

Good afternoon. My name is Kyle (phon), and I'll be your conference Operator today. At this time, I'd like to welcome everyone to the Empire Company Limited Announcement of the Sobeys Agreement to Acquire Canada Safeway 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'd like to ask a question during this time, simply press *, then the number 1 on your telephone keypad. If you'd like to withdraw your question, press the # key. Thank you.

I'd now like to turn the call over to Paul Beesley, Executive Vice President and Chief Financial Officer. Please go ahead.

Paul Beesley — Executive Vice President and Chief Financial Officer, Empire Company Limited

Thank you, Kyle. Good afternoon, and thanks for joining us today. The purpose of the call is to provide comments on the announcement that we made today that Sobeys has entered into a definitive agreement for the purchase of Canada Safeway. After completion of the acquisition, Empire Company will continue to own 100 percent of Sobeys.

After our comments, we'll be pleased to answer your questions. This call is being recorded in live audio on our website at www.empireco.ca. Also available on the Empire website, and also on

"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 12, 2013 — 5:00 p.m. E.T.

Empire Company Limited Empire Company Limited Announcement of
the Sobeys Agreement to Acquire Canada Safeway Conference Call

the Sobeys website at www.sobeyscorporate.com is a presentation slide deck, which we encourage you to access, as our remarks will focus on this material.

Joining me on the call this afternoon are from Empire Company Limited Paul Sobey, President and Chief Executive Officer; and Stewart Mahoney, Vice President Investor Relations and Treasury. From Sobeys Inc. we have Marc Poulin, President and Chief Executive Officer; François Vimard, Executive Vice President; and Paul Jewer, Chief Financial Officer.

Slide 2. 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. I refer you to the presentation or press release for more information on these assumptions and factors.

Late this afternoon, we announced that Empire's wholly owned subsidiary, Sobeys Inc., has reached a definitive agreement with Safeway Inc. to acquire the assets of Canada Safeway for a cash purchase price of CDN \$5.8 billion, subject to a working capital adjustment plus the assumption of certain liabilities.

I'll ask Paul Sobey to provide an overview of the transaction, along with the rationale for the acquisition.

Paul Sobey — President and Chief Executive Officer, Empire Company Limited

"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 12, 2013 — 5:00 p.m. E.T.

Empire Company Limited Empire Company Limited Announcement of
the Sobeys Agreement to Acquire Canada Safeway Conference Call

Thank you very much, Paul, and good afternoon, everyone. First, let me say we are truly excited, truly excited by today's announcement. This is a significant and historic event for Empire, and in particular for Sobeys, which has been proudly serving Canadian food shoppers for over 106 years now.

The acquisition of Canada Safeway continues Empire's focus and commitment on our food retailing and related real estate businesses. Canada Safeway is a leading Western Canadian food retailer with exceptional store locations and excellent real estate and a strong management team.

The assets to be purchased by Sobeys include the following: 213 full service grocery stores under the Safeway banner in Western Canada; 199 in-store pharmacies with market-leading productivity; 62 co-located fuel stations; 10 liquor stores; four primary distribution centres and related wholesale business; and 12 manufacturing facilities.

The majority of the funds to finance the acquisition are expected to be from an Empire equity issue and asset sales, including a 1 billion sale and leaseback of acquired Canadian Safeway real estate.

After giving effect to the expected synergies, the sale leaseback transaction and assumed capital leases, the effective acquisition multiple is 7.4 times adjusted EBITDA. Closing of the transaction is expected in the fall of 2013, following the review period of the Competition Bureau.

"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. »

Now the rationale for this transaction is clear: this acquisition represents a unique and highly strategic opportunity for Sobeys to leverage its existing asset base, effectively creating a new platform for growth.

Canada Safeway is a high quality business with excellent people and assets, and a strong market share in Western Canada. And after the acquisition, Sobeys will be a leading grocer in Western Canada, the largest grocer in Alberta, an attractive high growth market. The acquisition will also solidify Sobeys' position as the number 2 grocer in Canada.

Canada Safeway's 213 retail grocery stores are in sought-after retail markets. Canada Safeway has an exceptional store network and 1.8 billion in owned real estate based on a recently completed third party evaluation.

The acquisition provides excellent stores and exceptional real estate, but also great employees and management, which will help strengthen our overall talent base.

Sobeys and Canada Safeway are highly compatible in terms of strategic objectives and corporate culture. Both companies focus on fresh food and consumer loyalty with complementary offerings and geographical footprints.

In addition, Sobeys and Canada Safeway share a similar approach to operating the businesses with customer insight capabilities, AIR MILES programs, strong management, and an emphasis on employee development, rigorous cost control, and strong private label programs. The

"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. »

acquisition will significantly enhance Sobeys scale, while creating an opportunity to realize meaningful synergies and earnings accretion.

We have identified cost synergies of approximately 200 million annually which we expect to achieve over a three-year period, with 50 percent to be achieved within 12 months. We have completed extensive financial modelling, and expect the acquisition to be immediately accretive to adjusted net earnings and in excess of 25 percent accretive once synergies are fully realized.

After giving effect to the acquisition, Sobeys' adjusted EBITDA for the 52 weeks ended May 4, 2013, will increase to \$1.4 billion. Together with anticipated synergies, management believes Sobeys' pro forma cash flow will allow it to rapidly, rapidly de-lever, while maintaining a flexible balance sheet. It is management's objective for Sobeys to maintain its investment grade ratings.

And with that, Marc will provide his perspective on the benefits of the acquisition to Sobeys.

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

Thank you, Paul. Slide 5. Let me say first that as a team we are very excited by this acquisition and the future opportunity to deliver superior value.

This is clearly a win-win for both companies, as well as for our customers and employees. Our employees have always been the foundation of our success, and with the addition of the great team at Canada Safeway, our customers can continue to expect a high quality offering with

"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 12, 2013 — 5:00 p.m. E.T.

Empire Company Limited Empire Company Limited Announcement of
the Sobeys Agreement to Acquire Canada Safeway Conference Call

excellence in fresh food supported by great service. Our offering will only get stronger as we share and build upon the best practices of two great businesses.

This acquisition solidifies Sobeys national presence and creates a much stronger national platform with pro forma revenue for the last 12 months of approximately \$24 billion.

If you are following through our slide deck, you will note on Page 5 that our pro forma store count across Canada increases to 1,538, excluding 269 retail gas locations, from current at 1,315.

Post-acquisition, we will have a leading store base in the west. We view Canada Safeway as having an exceptional store portfolio in the west.

The next slide presents Canada Safeway's locations in Western Canada. As you can see, its 213 full service grocery stores are located in desirable, highly populated density area markets.

As of March 31, 2013, Canada Safeway operated a total of approximately 9 million square feet of real estate. There are 116 company-owned store locations totalling 4.8 million square feet. The average store size is approximately 42,000, and about 60 percent of the gross leasing area is located in Vancouver, Calgary, Edmonton, and Winnipeg. According to an independent third party appraisal completed on March 30 of 2013, Canada Safeway store-owned real estate portfolio is valued at \$1.8 billion.

"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. »

Sobeys and Canada Safeway are a great fit. We believe that Sobeys and Canada Safeway are highly compatible in terms of strategic objectives and corporate culture. Both companies focus on fresh food and customer loyalty with complementary offerings and geographic footprints.

In addition, Sobeys and Canada Safeway share a similar approach to operating their businesses with customer insight capabilities, loyalty programs, strong management, an emphasis on employee development, rigorous cost control, and strong private label program.

Slide 8. Sobeys expects to benefit from increased economies of scale. We anticipate capturing annual cost synergies of approximately \$200 million run rate cost synergies within the three years, which a 50 percent run rate to be achieved over the first 12 months.

Synergies are expected to be realized in the following areas. Distribution: we intend to integrate and modernize Canada's Safeway distribution networks while leveraging Sobeys; expertise in that regard. Information technology: we will reorganize business processes to fully leverage Sobeys' national IT infrastructure and surrounding network architecture and tools. Procurement: we will leverage significant incremental purchasing volume in both food and generic drugs. Other administrative costs: by combining management teams to strengthen expertise and deepen our bench, while also securing administrative and marketing savings.

Both Sobeys and Canada Safeway have well advanced private label offerings and strong consumer loyalty program. We plan to integrate the private label offerings, which will result 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 12, 2013 — 5:00 p.m. E.T.

Empire Company Limited Empire Company Limited Announcement of
the Sobeys Agreement to Acquire Canada Safeway Conference Call

procurement synergies, packaging and formulation efficiencies, as well as the expansion of both—
on the variety and assortment of product.

We also plan to integrate the loyalty programs, which will not only increase customer
clarity and awareness, but better leverage Sobeys leading edge customer analytics. Given the 62
acquired fuel locations, we'll also see an opportunity to expand our cross promotion of fuel and
food business.

Slide 10. Those of you who follow Sobeys know that we have invested significantly in the
construction of automated distribution centres, in the development of a national SAP platform, and
in leading edge proprietary customer inside capability. This investment has helped fuel our
productivity and growth in earnings. Post-acquisition, we plan to integrate and modernize Canada
Safeway's distribution network while leveraging Sobeys' distribution expertise. We also plan to
reorganize Canada Safeway's business processes to fully leverage Sobeys' existing national IT and
SAP platform.

Paul Sobey will now comment on expected earnings accretion, financing, and provide
concluding remarks.

Paul Sobey

Thanks very much, Marc. So as noted, we expect the acquisition to be immediately
accretive to Empire's adjusted net earnings per share based on pro forma combined financial
statements for the 12-month period ended May 4, 2013, before considering any cost synergies.

"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 12, 2013 — 5:00 p.m. E.T.

Empire Company Limited Empire Company Limited Announcement of
the Sobeys Agreement to Acquire Canada Safeway Conference Call

Once the synergies are fully realized, earnings accretion is expected to be in excess of 25 percent. After giving effect to the full realization of \$200 million of expected synergies, the planned sale-leaseback transaction and assumed capital leases, the effective price multiple for the acquisition is 7.4 times adjusted EBITDA.

Slide 12 presents an overview of the financing. The acquisition of Safeway Canada assets will be paid for in cash in Canadian dollars. Fifty-six percent of the total transaction value is expected to be funded from equity, asset sales, and cash.

Empire and Sobeys have obtained commitments from the Scotiabank for an aggregate 6.44 billion of fully committed credit facilities consisting of 1.825 billion term loan, 3.815 billion in bridge facilities, and 800 million in revolving term facilities largely undrawn at closing.

The bridge facilities have been arranged as back stops to a planned Empire equity offering of 1.5 billion, a planned sale-leaseback of real estate assets of 1 billion, a planned issuance by Sobeys of 800 million in bonds, and to other real estate and noncore asset sales.

We anticipate completing the equity and bond offerings, as well as the sale-leaseback transaction prior to the acquisition closing. As such, only a small proportion of the bridge is expected to be drawn.

With respect to the planned sale-leaseback, as you may know, Crombie REIT has a right of first offer in respect of any real estate sales undertaken by Sobeys. In addition to the planned sale-leaseback of real estate assets of 1 billion, it is important to note that Empire and Sobeys have

"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 12, 2013 — 5:00 p.m. E.T.

Empire Company Limited Empire Company Limited Announcement of
the Sobeys Agreement to Acquire Canada Safeway Conference Call

collectively identified an additional 1 billion in noncore asset sales that could potentially be used to repay the bridge facilities and other debt.

We are clearly focused on food retail and related real estate. These are businesses we know best. And after completing the privatization of Sobeys in 2007, Empire embarked on a major refocusing of its businesses on retail food operations.

As you can see from the charts on Slide 13, since the privatization, Sobeys has experienced consistent growth in retail sales and EBITDA, with EBITDA growing at an annual average rate of 8.3 percent.

Over the past five years, Sobeys has invested more than 2.3 billion in the expansion and modernization of its stores and distribution networks, the implementation of advanced enterprise-wide system, business systems and processes, and the development and engagement of its people. Over the same five-year period, Sobeys generated over 2.9 billion of operating cash flow after dividends, more than covering this investment.

With this acquisition, our focus on food retailing and related real estate continues. We feel that the Canadian Safeway acquisition creates a new platform for growth which builds on our record of success to date.

Slide 14 presents our record of growth in total return and adjusted net earnings per share since the Oshawa acquisition in 1998. Over this same period, Empire's total shareholder return have

"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. »

averaged 12.8 percent per year versus 5.5 percent for the S&P/TSX Index. And Empire's adjusted net earnings per share have grown by an average 13.1 percent per year.

We have a track record of successfully integrating acquisitions, which has created significant shareholder value. We are confident that this will continue.

To conclude, I'd like to recap the highlights of this transaction. It's a 5.8 billion all-cash transaction. The majority of the funds are expected to be from an Empire equity issue and asset sales.

The effective acquisition multiple is 7.4 times, after giving effect to the synergies, the sale-leaseback transaction, and assumed capital leases. The acquisition creates a leading grocer in Western Canada and solidifies Sobeys' number 2 position nationally.

Canada Safeway has an exceptional store network in sought-after locations and 1.8 billion in owned real estate. The corporate strategies of both companies are aligned. The cultural fit is excellent, with strong management teams and employees committed to serving the customer.

Cost synergies of 200 million annually have been identified. We expect the acquisition to be immediately accretive to adjusted net earnings per share, and in excess of 25 percent accretion once the synergies are fully realized.

There will be significant free cash flow generation and rapid de-leveraging and consistent with Empire's strategic direction. This transaction continues Empire focus on food retailing and related real estate.

"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 summary, Empire will own 100 percent of Sobeys, which will be a stronger food company with excellent growth prospects.

We're now happy to respond to your questions. Thank you.

Paul Beesley

Kyle, we'll take questions now. Thank you.

Q&A

Operator

At this time, I'd like to remind everyone in order to ask a question press *, then the number 1 on your telephone keypad. And we'll pause for a moment to compile the Q&A roster.

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

Perry Caicco — CIBC World Markets

Okay. Well, well done.

Paul Beesley

Thanks, Perry.

Perry Caicco

Now comes the hard part.

Paul Beesley

"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 12, 2013 — 5:00 p.m. E.T.

Empire Company Limited Empire Company Limited Announcement of
the Sobeys Agreement to Acquire Canada Safeway Conference Call

It always is.

Perry Caicco

Just a question, first of all, on the synergies; you've done a good job laying out where they'll come from and you said about half in year one. What do you think in year two for synergies? And how should we split that between gross margin and SG&A particularly in the first year?

Marc Poulin

We're expecting synergies in year two to be around 75 percent of the total we've identified.

Perry Caicco

Okay. And as you look at the split between gross margin and SG&A, for instance, would procurement be levered more to the first year?

Marc Poulin

Well, I think it's going to be a mix of various issues and those are broad buckets, and it's very difficult to be able to give you, amongst those broad buckets, an exact number because it's, as you can imagine, it's more a series of small steps than just four big buckets.

Perry Caicco

Right. And are the synergies net of any costs that you might incur to get those synergies? Or was that kind of a gross number?

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. »

It's a net.

Perry Caicco

That's a net number. And are you predicting that there will be subsequent costs to re-banner or renovate the Safeway network? In other words, is there some kind of a capital spending forecast that you could give us?

Marc Poulin

Well, the capital budget that we've identified post-acquisition takes into account the fact that we will have sufficient capital to grow both the western business that we've just acquired and integrate it into the network, but also the rest of our business in other parts of the country. So we'll have sufficient capital expenditure to achieve both.

Perry Caicco

I guess the question is, are you planning to increase significantly the amount of capital that Safeway was spending on your stores if you were to, for instance, undergo a re-bannering or renovation program?

François Vimard — Executive Vice President, Sobeys Inc.

I think, Perry, the way you can look at that, it should be in line with the capital we have spent. We are going to reallocate some of the capital we're planning for other parts of the country and reallocate that to being sure we do the right thing across the country

Perry Caicco

"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. »

And do you have a prediction on whether or not the Competition Bureau will force you to sell off some stores?

Paul Sobey

That's an independent process, Perry, and we can't comment on that independent process.

Perry Caicco

And sorry, I only have a couple more questions then I'll turn it over. This comes with some other liabilities. Are there some pension liabilities that we should be aware of here?

Marc Poulin

Yeah. We're assuming some pension liabilities in this transaction.

Perry Caicco

Is there a number you can give us on that?

Paul Jewer — Chief Financial Officer, Empire Company Limited

Not at this time.

Perry Caicco

Okay. And then lastly, you identified some noncore assets that you may be selling and you, I think, identified around 1 billion. Is there any EBITDA associated with those that would be material?

Paul Sobey

"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's all been factored into our modelling, Perry.

Perry Caicco

So when we think of the synergies it's net of things like that and net of the costs to get to the synergies?

Marc Poulin

Yes.

Perry Caicco

Okay. Okay. That's good for now. I'll turn it over to somebody else.

Operator

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

Peter Sklar — BMO Capital Markets

Thanks. Can you go through what the financing terms would be for the term loan, the unsecured notes, and the bridge, should you have to draw on it?

Paul Sobey

It's all been factored into our modelling. We're not going to get into the terms of the financing arrangements.

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. On the sale and leaseback of the properties, how would you characterize the market for finding a counter party, should Crombie elect not to proceed with the first right of refusal?

Paul Sobey

These are outstanding real estate assets in outstanding locations, and we are very confident that these top quality assets would be highly sought after.

Peter Sklar

Right. Okay. And like I wasn't too sure in the timing and the sequence of the financing steps; do you anticipate that you will not utilize any of the bridge? Or do you anticipate using some of the bridge?

François Vimard

We think we're going to use some of the bridge. Like Paul was saying in his document is we think the equity, the bond, and the sale-leaseback will be at closing. So we think the rest of bridge will be required at closing.

Peter Sklar

So the rest being the term loan?

François Vimard

The term loan, plus a part of the bridge also for the asset bridge.

Peter Sklar

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

Asset sales bridge.

Peter Sklar

Right. Okay. And I was just not quite sure, I think some of these numbers, square footage numbers were in the booklet, but what is the total square footage of Safeway's real estate? How much square footage is owned and how much square footage is subject to the sale and leaseback? Could you give me those three square footage numbers?

Paul Jewer

Nine million square feet is owned, 4.8 mill square feet—sorry, 4.8 million square feet is owned, 9 million is the total number, and we haven't identified at this date the specific square footage that will be subject to the sale-leaseback.

Paul Sobey

But the overall real estate values based on independent appraisals is 1.8 billion.

Peter Sklar

So the 1.8 billion is the 4.8 million square feet?

Paul Jewer

That's correct.

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. »

June 12, 2013 — 5:00 p.m. E.T.

Empire Company Limited Empire Company Limited Announcement of
the Sobeys Agreement to Acquire Canada Safeway Conference Call

Okay. And lastly, can you talk about what your banner strategy will be? Will you carry on with all the existing banners?

Marc Poulin

It's too early to tell, obviously, at this stage. We just completed the acquisition. We will do proper marketing research to determine what will be of course on the banner side.

Peter Sklar

Okay. Thank you.

Operator

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

Chris Li — Bank of America

Hi. Good afternoon. Does the agreement that you have with Safeway allow for any competing bids? Or is this pretty much a done deal?

Paul Sobey

This is a done deal.

Chris Li

Okay. And then in terms of just the de-leverage timing, given the strong free cash flow that you expect to generate, can you give us a sense of the timing in terms of when you'll be at a level where you're comfortable with to get to the investment grade rating?

Paul Jewer

"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 specifics on timing on that at this point. We believe this business will generate significant free cash flow and therefore allow us to de-lever quickly, and as we said in the script, we're very committed to maintaining an investment grade rating.

Chris Li

Okay. And just want to clarify, when you mention that this immediately earnings accretive, this is before taking into account any cost synergies at all? It's just from putting the two pieces together and is that the way to think about it?

Paul Jewer

That's correct. Yes.

Chris Li

Okay. And then just lastly with respect to the IT system; is Safeway on the same IT system as Sobeys? Or do you envision any investments in that to be on a common platform?

François Vimard

No. Like we said in the script, we're planning to leverage the SAP system we have put at Sobeys over the past few years, so we're looking at a different way to do it over a certain period of time.

Chris Li

Okay. Okay. Thanks a lot.

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. »

June 12, 2013 — 5:00 p.m. E.T.

Empire Company Limited Empire Company Limited Announcement of
the Sobeys Agreement to Acquire Canada Safeway Conference Call

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

Jim Durran — Barclays

Good afternoon and congratulations.

Paul Sobey

Thanks very much, Jim.

Jim Durran

Very excited for you guys. With respect to the real estate just wondering, can you give us an idea what kind of rent per square foot is currently being paid on the owned properties? I assume because in Western Canada that it's higher than what I'm used to back east?

François Vimard

On the owned property they don't pay any rent.

Jim Durran

Sorry. The other ones.

François Vimard

The lease properties.

Jim Durran

Yeah.

François Vimard

It's market rent.

"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 12, 2013 — 5:00 p.m. E.T.

Empire Company Limited Empire Company Limited Announcement of
the Sobeys Agreement to Acquire Canada Safeway Conference Call**Jim Durran**

So in the 16 to \$20 plus range then?

François Vimard

As you know, if you're downtown Vancouver, it's way over that. So it really depends on where you are.

Jim Durran

Yeah. No, I mean look, many of us are going to be trying to figure out what to do with the Crombie REIT valuation and a net asset value approach to come up with the right answer on valuation, so...

François Vimard

Yeah. Yeah.

Jim Durran

That's the obvious reason for the question.

François Vimard

Yeah. And I understand, but it's quite different by market, so when you understand exactly the portfolio of assets you can understand the niche market how it is.

Jim Durran

Okay. And with respect—I just wanted some clarity on the CapEx. I'm not sure I quite understood what you were saying. So on the amount of CapEx that Sobeys/Empire is currently

"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. »

spending, were you suggesting that you won't be spending anything incremental to that? Or are you talking about Safeway's CapEx plus Sobeys CapEx is going to be the run rate?

François Vimard

Yeah. The Canadian Safeway CapEx, plus the current Sobeys/Empire CapEx will be our total CapEx, an average, considering with some of the (phon) location we'll be required to do what we need to do with the integration.

Jim Durran

Yeah. And so then...

François Vimard

Yeah. A bump of the addition of the two.

Jim Durran

And that assumes obviously the inclusion of the SAP integration of Safeway Canada?

François Vimard

Yeah. Exactly.

Jim Durran

Okay. Great. Thank you. I'll come back with other questions.

Operator

Your next question comes from the line of Irene Nattel from RBC Capital Markets. Your line is open.

"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. »

Irene Nattel — RBC Capital Markets

Thanks, and good afternoon. Just one question on the same line, just to be perfectly clear; you mentioned that you were—you're going to invest to upgrade and modernize the Safeway distribution. Is that also included in the CapEx that you just outlined? Or will that be incremental?

François Vimard

No. It is included.

Irene Nattel

That's great. Thank you.

Operator

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

Michael Van Aelst — TD Securities

Yeah. Thank you. Are you—do you have any intention to put an automated DC in the west, now that you have much greater scale?

François Vimard

We're going to look at all options, as you can imagine. We want to integrate the two networks and leveraging our expertise. So every option is going to be looked at for sure.

Michael Van Aelst

"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 will there be hesitation, though, to do that in the short term, given the high cost and the interest or the desire to de-lever.

François Vimard

There's still a lot of work to be done on the network integration, so no decision is made yet.

Michael Van Aelst

And I didn't quite hear the answer to the earlier question, but it doesn't sound like this was a competitive bid. Can you confirm that?

Marc Poulin

I think you will have to ask Canada Safeway how they proceed for the sale of Canada Safeway. What we can tell is that we've had discussions over time with them to achieve this deal, and we're very happy that it came to fruition—whatever.

Unidentified Speaker

Fruition.

Marc Poulin

Fruition. We're happy it's done.

Paul Sobey

And what we're talking about is our growth opportunities here in Canada, and they are truly exciting. And we believe this is really compelling all the way across the board for us.

"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. »

Michael Van Aelst

Great. And with the exception of FreshCo in Ontario, you're now conventional of course throughout Canada. Any expectation to have a discount banner in the west as well, as the demand for discount grows out there?

Marc Poulin

Well, first, we would like to think that our store offering is nothing but conventional, but yes we are dedicated to growing our full service store business, and this acquisition fits with that perspective.

Michael Van Aelst

Thank you.

Operator

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

Patricia Baker — Scotiabank

Thank you very much, and I'd like to add my congratulations to all you guys in the room as well. Most of my questions have been answered, but I have a couple. When you reference the noncore assets, what kind of assets would they be? Are they manufacturing facilities or something along those lines?

Paul Sobey

"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. »

There's a whole host of different potentials, and as we say, there's a lot of assets that could be divested and we're going through. We obviously identified some opportunities with respect to our modelling, and final determination on those items has not been made at this particular point in time.

Patricia Baker

Okay. But you can't sort of point of us in the direction of what those assets—that they might be or...

Paul Sobey

No.

Patricia Baker

Okay. It's too premature. Okay. Then secondly, in the opening remarks you did talk about private label as one of the opportunities, and certainly Safeway's developed some really interesting private label products if I think about the O Organics and a few of the other on the healthy eating side. Have you guys made some arrangement where you'll be the exclusive distributor of those brands in the context of Canada? Or have you gotten to that level of detail yet?

Marc Poulin

Well, our intention is to create a private label program that will bridge with the best of both organizations' programs. As you can see, the relationship between ourselves and Safeway has

"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. »

been very productive and we've achieved that deal together, and we expect that both organizations will be on terms that will allow cooperation between the two organizations in the future.

Patricia Baker

Okay. I think I got my answer. Thanks a lot.

Operator

Your next question comes from the line of Kazi Stastna from Canadian (sic) (Canadian Broadcasting Corporation). Your line is open.

Kazi Stastna — Canadian Broadcasting Corporation

Hello. I'm wondering if you could outline a bit what the impact on employees will be. Do you foresee any reductions or changes in that area?

Paul Sobey

On the employee side of the equation, we are as I said in my comments here, our organization has continued to grow and develop over the years, and we have need of great talented people. There's a great cultural fit in regards to the employee bases between the two organizations. Everybody's focused in on the consumers.

And you turn around and you look at our current President sitting here sitting beside me, Marc Poulin, and Marc was originally part of the Oshawa acquisition and there's great employees. So we need good quality employees that are really committed to the customer focus. So...

Kazi Stastna

"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. »

Do you anticipate any layoffs, though?

Paul Sobey

I—at this point in time our focus is right on the people side of the equation and the cultural fit between the two organizations, period.

Kazi Stastna

Okay. And I'm sorry if I missed this earlier; I signed in late. Did you—have you decided yet whether you'll go with Sobeys or Safeway or whether you'll keep them both independent for now?

Marc Poulin

It's too early to tell the banner strategy that will be applied. Obviously at this stage we're happy that the transaction has occurred and now need to do the marketing work that needs to occur to take the best decision for the success of our employees and that will please our customers.

Kazi Stastna

Okay. Thank you very much.

Operator

Your next question comes from the line of Desjardins Securities. Your line is open.

Keith Howlett — Desjardins Securities

Yes. I was wondering in terms of realizing the \$200 million of annual synergies, are there any one-time costs associated with that or not?

"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 12, 2013 — 5:00 p.m. E.T.

Empire Company Limited Empire Company Limited Announcement of
the Sobeys Agreement to Acquire Canada Safeway Conference Call**Marc Poulin**

Yes. There will be costs, but they are part of the model that we've shown—that's shown the accretion and the 7.4 multiple one synergies until these facts (phon) are completed.

Keith Howlett

I see. So the one-time costs are in the transaction value, so to speak, I guess?

Marc Poulin

Yeah.

Keith Howlett

Yeah. And just in terms of this transaction, I know Safeway was looking at doing a REIT in Canada or at least thinking, analyzing it. Have you been in discussions with them for a substantial length of time? Or is this fairly recent?

Paul Sobey

Look, we've been looking at Canada Safeway, as with other opportunities, since a long, long period of time. We're very familiar with the assets. We went back and looking at opportunities to grow this business with the Oshawa acquisition, and we've been looking at Canada Safeway since 2000. So we're very familiar with the assets, and as Marc said, we have an excellent relationship with them. And if you wish to ask further questions on that, you really should talk with Canada Safeway—or not Canada Safeway, Safeway US.

Keith Howlett

"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. »

And are there any conditions here, just to toss this out, if somebody made a bid for Safeway US to try to break your deal is that a possibility or not a possibility?

Paul Sobey

Ours is a firm transaction.

Keith Howlett

Great. And then in terms of do you own the trademark in Canada? Or is that to be determined? Or...

Marc Poulin

Yes. We own the trademark in this transaction.

Keith Howlett

Great. And then just lastly, Safeway was planning to introduce their just for U, what do you call it, iPhone, Android-based loyalty program. Would that be too complicated for you to assume that? Or is that something you might look at? Or...

Marc Poulin

We are obviously looking at opportunities on the front of direct marketing with our customers, and we will be open to leverage expertise of both companies to achieve the desired result.

Keith Howlett

"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. »

And I just had one question of clarification on the real estate assets. The 9 million square feet is store space, is that correct?

Marc Poulin

Yes.

Paul Sobey

Yes.

Keith Howlett

And the 1.8 billion includes the owned store space, plus all other owned real estate?

Marc Poulin

Yes.

Keith Howlett

Yeah. Okay. Great. Thanks very much.

Operator

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

Jim Durran

Yeah. Just a couple of quick follow-ups. First of all on private label, are you committed to maintaining private label manufacturing on a vertically integrated basis?

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. »

We will look at the option that makes sense for our customers and our competitiveness in the marketplace.

Jim Durran

And I just wanted to double back on Keith's question because I think I'm a little confused now. The \$1.8 billion of real estate value is purely the 4.8 million of owned real estate in the store network, right? There's no DCs, head offices in that mix?

Paul Jewer

No. There are DCs, liquor stores, gas stations, and the grocery stores.

Jim Durran

Okay. And is that all the DCs? Or that's excluding one in BC I believe, right, probably?

Paul Jewer

It's the DCs that are owned; some of the DC's are leased, that's correct.

Jim Durran

Okay. Great. Thank you.

Operator

Again, if you'd like to ask a question, press *, then the number 1 on your telephone keypad.

Your next question comes from the line of Ed Martinez from TD Securities. Your line is open.

"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. »

Ed Martinez — TD Securities

Hi. Good afternoon. Thanks for taking the call. I just had a quick question with regards to the leverage. Just on the face of it looking at what the details we've had today and the incremental debt, it looks like the leverage is due for quite a significant increase here. DBRS has just come out and put you under review negative. I'm just curious, have you had discussions at all with the rate agencies prior to the transaction and with regards to keeping the investment grade rating, which is something you've referenced a couple of times during the call?

Paul Jewer

Yeah. We always have an ongoing dialogue with the rating agencies, and we would say we are committed to keeping an investment grade rating. That's all we're prepared to say at this time.

Ed Martinez

Okay. And then again, you didn't want to provide any kind of timing on the pace of de-leveraging and the free cash flow profile of the pro forma entity?

Paul Jewer

No more specifics than what we've already said, which is we see an opportunity for rapid de-leveraging, and we've walked through what we believe is a good financing plan in order to, which includes sales of assets and equity issue just so that there's a balanced financing plan in place.

Ed Martinez

Okay.

"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. »

Paul Sobey

And I'd just reemphasize that with all the transactions that we've done, and if you look back at the history, we've achieved our objectives and we've achieved the objective of the rapid de-leveraging. And we see nothing in this transaction that would impact on that, except we see this as a better opportunity, quite frankly, for the overall network.

So from a history perspective we've achieved what we said we were going to do. We believe that we can achieve the objectives that Paul Jewer has outlined here.

Ed Martinez

Great. And any kind of—could you quantify that for me in terms of what would you mean by rapid? Are we looking at two or three years to get back to kind of levels consistent or leverage levels consistent with investment grade rating?

Paul Jewer

We're not going to give any more specifics at this time.

Ed Martinez

Okay. All right. Thanks again.

Operator

And our next question comes from the line of Keith Howlett from Desjardins Securities.

Your line is open.

Keith Howlett

"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 12, 2013 — 5:00 p.m. E.T.

Empire Company Limited Empire Company Limited Announcement of
the Sobeys Agreement to Acquire Canada Safeway Conference Call

Yes. I just had a question on the procurement synergies. It was mentioned that one of them would be generic drugs and I was just wondering, does Canada Safeway have a private label generic or do you have a private label generic? Or is that...

Marc Poulin

You've got to read this statement in the lines of over-the-counter drugs where there are significant opportunities to create synergies between our current offering and Canada Safeway.

Keith Howlett

I see. Great. Thanks very much.

Operator

There are no further questions at this time. Mr. Beesley, I'll turn the call back over to you.

Paul Beesley

Thank you very much, Kyle. Ladies and gentlemen, we appreciate your continued interest in Empire, and look forward to your support.

We look forward to having you join us in a few weeks' time for our fourth quarter fiscal 2013 conference call, which will take place on June 27th. Good-bye.

Operator

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. »