

EVENT: EMPIRE COMPANY LIMITED Q1 RESULTS
CONFERENCE CALL
TIME: 13h30 E.T.
REFERENCE: EMPIRE COMPANY LIMITED-CC-091010
LENGTH: 36 MINUTES
DATE: SEPTEMBER 10, 2010

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

OPERATOR: Good afternoon. My name is Sarah and I will be your conference operator today.

At this time I would like to welcome everyone to the Empire Company Limited first quarter fiscal 2011 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, press the # key.

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

PAUL BEELSEY (Executive Vice President and Chief Financial Officer, Empire Company Limited): Thank you very much, Sarah. Good afternoon and welcome to Empire Company Limited's first quarter conference call. Thank you for joining us today. Our comments will focus primarily on the financial results for the first quarter ended July 31st, 2010 and at the end we'll entertain your questions.

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

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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.

With me today on the call are, from Empire Company Limited: Paul Sobey, President and Chief Executive Officer, and Stewart Mahoney, Vice President, Investor Relations and Treasury.

From Sobeys we have Bill McEwan, President and Chief Executive Officer; Francois Vimard, Chief Financial Officer; and Paul Jewer, Senior Vice President, Finance and Treasurer.

This morning we released Empire's financial results for the first quarter ended July 31st, 2010. Revenue for the first quarter equalled \$4.04 billion compared to \$3.97 billion the previous year, a 1.8 per cent increase. First quarter operating earnings, that is earnings before net capital gains and other items, equalled \$81.6 million or \$1.19 per share compared to \$72.2 million or \$1.05 per share in the first quarter of last year. There were no capital gains in other items, net of tax, in the first quarter, compared to \$17.5 million in the first quarter of last year. Included in other items in 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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

first quarter of last year were the \$17 million tax settlement related to the fiscal 2001 sale of shares in Hannaford Brothers Company.

Net earnings in the first quarter were \$81.6 million or \$1.19 per share compared to \$89.7 million or \$1.31 per share last year. The ratio of net debt to total capital at the end of the first quarter equalled 20.8 per cent versus 21.8 per cent last quarter, and 26.3 per cent at the end of the first quarter last year.

Empire's liquidity remains strong with cash and cash equivalents of \$495 million at the end of the first quarter, up from \$401 million at the start of the fiscal year. Authorized consolidated bank credit facilities exceeded borrowings by \$706 million.

During the first quarter Sobeys issued \$150 million of 30-year medium-term notes at a rate of 6.64 per cent. Also during the quarter on June 4th Empire renewed its bank credit facility to mature on June 30th, 2013. The size of the credit facility was reduced from \$650 million to \$450 million due to Empire's improved financial condition and strong cash generation.

I will now turn the call over to Paul Sobey.

PAUL SOBEY (President and Chief Executive Officer, Empire Company Limited): Thanks very much, Paul. Good afternoon, everyone.

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

Empire's op earnings and financial condition continues to strengthen in the first quarter as a result of continued solid performance of Sobeys and our real estate division. Bill will provide his comments on Sobeys a little later.

A few comments on our real estate division's performance. During the first quarter Empire's real estate division recorded net earnings of \$8.5 million versus \$6.1 million last year. Earnings from residential operations grew by \$2.3 million, and earnings from commercial operations were relatively unchanged.

The increase in Genstar's income contribution was due to higher residential lot sales activity. We anticipate directionally that for the full fiscal 2011 earnings contributions from Genstar will be relatively in line with the prior year.

Crombie's earnings contributions to Empire's operating income in the first quarter was \$4.1 million versus \$4.9 million last year. The decrease is largely due to Crombie's recording higher interest expense in the second quarter as a result of replacing lower cost floating-rate debt with higher cost long-term debt.

In terms of occupancy rates, property occupancy was 95.5 per cent at the end of June as compared to 95 per cent the previous quarter. 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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

July 14th Crombie announced the signing of an acquisition agreement for the purchase of 11 properties from Sobeys, which will subsequently be leased back for consideration of approximately \$100 million, excluding closing and transaction costs. This transaction is expected to close in the second quarter of fiscal 2011.

Subsequent to Empire's quarter-end, Crombie completed its previously announced \$50 million equity issue, with Empire participating for \$20.5 million, illustrating Empire's continued support for Crombie's growth strategy.

With respect to investments and other operations, operating earnings in the first quarter, net of corporate expenses, improved by \$1.5 million over last year as both Empire Theatres and Wajax Income Fund recorded higher earnings.

Equity accounted earnings from Wajax in the first quarter were \$3.4 million versus \$2.7 million last year. Wajax's management has advised in the second quarter news release that stronger market demand across all its business segments has led to better than expected results.

For further detail on both Wajax and Crombie's performance, please see their quarterly releases dated August 6th and August 11th respectively.

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

Bill McEwan will now comment on the performance of Empire's food business, Sobeys Inc.

BILL MCEWAN (President and Chief Executive Officer, Sobeys Inc.): Thank you, Paul.

Sobeys' Q1 sales increased \$69 million or 1.8 per cent to \$3.98 billion, up from \$3.91 billion last year. Same-store sales grew by 0.3 per cent. We have realized industry-leading positive real same-store sales growth in each quarter dating back well before fiscal 2006.

Through the first quarter deflation persisted and in fact increased to a rate that our industry did not contemplate several months ago. Deflation in the quarter totalled approximately 2.5 per cent in aggregate for Sobeys. A significant contributing deflationary factor in the quarter is attributed to the reactive competitive response to the launch of our eight FreshCo discount stores during the quarter in Ontario. We are pleased with the customer response to FreshCo, and we now have 18 stores converted and reopened, with dozens more to follow in the coming months.

Competitors responded very aggressively. We committed right up front to sustaining as low or lower pricing with those that choose to compete with FreshCo, and consequently promotional feature pricing,

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

staple pricing, and lower base pricing impacted gross margins in the format, and therefore to an extent the company overall.

Irrespective of the ebb and flow of competitive response to our activities, we remain confident and committed to sustaining our solid competitive pricing and promotional posture. While individual quarterly aggregate results may rise or dip somewhat, we know that we have the disciplines, tools, processes and systems to see our way through to longer-term and sustainable sales and earnings growth.

And despite the challenging influence of deflation and significant competitive activity, particularly in the Ontario market in reaction to our FreshCo launch and conversions, Sobeys Q1 net earnings increased \$5.5 million to \$75.6 million, up 7.8 per cent over last year.

Our gross margin improved 39 basis points from 23.9 to 24.3. Q1 EBITDA increased \$9 million to \$207.1 million, plus 4.6 versus last year.

First quarter EBITDA as a percentage of sales increased to 5.21 per cent from 5.07 per cent last year, an increase of 14 basis points.

In the first quarter we incurred additional costs of approximately \$4.6 million related to the rollout of our FreshCo discount store conversions. Additionally, we continued to invest elsewhere across the company in our store network and infrastructure. During the first quarter, capex totalled

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

\$159 million in our store network and infrastructure, including \$83 million for the purchase of 12 properties from subsidiaries of ECL Properties Ltd. Eight corporate and franchise stores were opened or acquired or relocated, four stores were expanded, and 11 stores were re-bannered.

At the end of our first quarter on July 31st Sobeys' square footage totalled just over 28 million square feet, an increase of 1.8 per cent over the same quarter last year.

Our ratio of net debt to capital at the end of the first quarter equalled 17.8 per cent versus 21.4 per cent at the end of the first quarter last year.

Our momentum and progress continues on the strength of the series of strategic and operational improvements and investments we have made over the past several years. Our product and service innovation initiatives continue. We continue to leverage our scale and sales performance in procurement, and we do so without compromising the clear advantages of regional and local management teams executing with authority and agility to capture individual market opportunities.

Our distribution network has been continually upgraded and expanded, and our new automated distribution centre in Vaughan, Ontario continues to meet our expectations.

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

Our fresh item management and workforce management processes continue to fuel our ability to sustain our competitive retail price and promotional posture.

We're also deploying our computer-automated-ordering initiative with the first phase already complete and operational, and the second phase underway in Atlantic. We continue to see significant improvement in our in-stock position, assortment and inventory reductions as a result of this phase-one implementation in the Atlantic region.

Our Club Sobeys, Club Thrifty Foods and Air Miles program all continue to attract new customers each month, all built on the same platform and inclusive of the strategic and comprehensive customer insight capabilities that we have in-house and through our exclusive highly qualified third-party relationship with ClearSell(ph).

And just yesterday we announced the launch of our exclusive strategic partnership with BMO, Bank of Montreal, to develop and deliver innovative credit card products to our customers, including the new no-fee BMO Club Sobeys MasterCard in Ontario and Western Canada, as well as the no-fee BMO Sobeys Air Miles MasterCard for Sobeys and Foodland customers in Atlantic Canada. This partnership will further enhance our customer insight platforms and capabilities across the country.

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

Bottom line, as a team we are committed to being widely recognized as the best food retailer in this country. We will remain focused on improving our offering, our service and our productivity. We intend to lower our costs and continue to execute well and consistently store by store.

And I'll turn it back to Paul for concluding remarks.

PAUL SOBEY: Thanks, Bill.

So we're off to a good start in fiscal 2011, and moving forward our key priorities have not changed. The focus on our core businesses is unwavering as we look to work together to build long-term sustainable value. Sobeys continues to grow its sales and profitability in a competitive market, and we will continue to support Sobeys as it innovates, executes and grows in a manner that is consistent with being widely recognized as the best food retailer in the country. And the management and employees of both our food retailing and real estate divisions will continue to work in close collaboration to extend our record of long-term value creation.

We would now be happy to answer any questions that you may have.

PAUL BEESLEY: Sarah, we'll be pleased to take questions at this point.

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

OPERATOR: At this time I would like to remind everyone in order to ask a question, please press * then the number 1 on your telephone keypad.

And your first question comes from the line of Emily Foo from BMO Capital Markets. Your line is open.

EMILY FOO: Good afternoon. Can you give us an update on how many units of Crombie REIT you have now?

PAUL SOBEY: The exact units, it's about 47.0 per cent on an undiluted basis. If the shares get converted, I think it reduces to... the convertible debentures, if they're all converted, reduces to 40.3...

PAUL BEESLEY: Forty-point-three...

PAUL SOBEY: ...40.3.

EMILY FOO: Do you have the share count?

PAUL BEESLEY: It's a little over \$28 million. But I just referred to Crombie's disclosure and take that percentage that Paul mentioned.

EMILY FOO: Okay. That's great. How much more of the start-up costs should we expect for FreshCo to incur in the upcoming quarters?

BILL MCEWAN: Well you should expect the start-up costs to approximately the same number as this quarter for every store that we open. That was eight stores worth of fixed asset write-offs, and we opened

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

another nine stores this quarter, and approximately that same schedule for the next couple of quarters, so plus or minus, the same number on a quarterly basis.

EMILY FOO: That's great. I noticed that the FreshCo conversions have been generally in the Greater Toronto Area. What are the plans to convert the IGAs within the core Toronto neighbourhoods?

BILL MCEWAN: I can share with you there are no plans to... first of all, there are no more IGAs. We don't have any IGAs left in Ontario. The last one converted about two months ago.

EMILY FOO: Sorry, sorry. I meant Price Chopper.

BILL MCEWAN: Oh, the Price Chopper?

EMILY FOO: Yes.

BILL MCEWAN: We have not indicated where and when we'll be converting these, but we have indicated that we will be converting dozens of more of these in batches over the course of the coming months. So you can expect about the same rate of conversions over the course of the next 12 to 14 months.

EMILY FOO: Great. Can you tell us a little bit about the deflation in Q2 so far?

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

BILL MCEWAN: The deflating in... well not Q2, I'll refer to Q1, although we did remark in our AGM today that deflation persisted through Q2 at a rate that we hadn't contemplated a quarter or two ago. But the deflation in Q1 was approximately 2.5 per cent. And a significant portion of that was driven by what we call self-inflicted, industry-wide disinflation, which was significant competitive activity, acutely in the markets where FreshCo converted based on competitive reaction on base pricing, staple pricing and promotional pricing but also some activity in other parts of the country on some base pricing initiatives that we initiated in anticipation of what some of our competitors were doing on the pricing front.

So that was I would say the vast... a good percentage of the 2.5 per cent was really promotionally driven deflation. And that has persisted into the second quarter, perhaps not quite at the same rate, but we shall see how things go in the next month or two.

EMILY FOO: Great. Those are my questions. Thank you.

BILL MCEWAN: Thanks.

OPERATOR: Your next question comes from the line of Perry Caicco from CIBC World Markets. Your line is open.

PERRY CAICCO: Thanks. Bill, I wonder if you could give us some idea of the internal food price deflation outside of the FreshCo markets?

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

BILL MCEWAN: Very significantly across the country. I won't segment it by marketplace. I will grant you that it was the highest in Ontario, no question about it, as a result of the competitive activity. But it varied significantly based on the level of competitive activity in Western Canada, Vancouver Island, Quebec and Atlantic. But the number was driven up to 2.5 heavily by the activity in Ontario.

PERRY CAICCO: And on a same-store basis, can you comment a bit on traffic and basket item counts?

BILL MCEWAN: On a same-store basis two-thirds of the increase of sales overall came from basket size and one-third from increased traffic.

PERRY CAICCO: And how were your same-store sales trends and the inflation trends as you were exiting the quarter?

BILL MCEWAN: The same-store... they were pretty constant through the first quarter. There was not a significant difference from the entry point and the exit point at all.

PERRY CAICCO: Great. Bill, you've had a bit of a turnaround on your year-over-year gross margin performance despite the competitive activity. Was that mostly cost of goods or was pricing involved with that?

BILL MCEWAN: No, it wasn't pricing on the upside to prop margins, I can assure you. It was a combination of really three areas I would say,

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

Perry. On top of the thousands of details, disciplines, the team is executing across the country. The productivity initiatives are a significant factor, the fresh item management and the workforce management. The product costs vendor program initiatives, of course, are not contributing insignificantly as they kicked in in more earnest this past quarter. And third, it's worthy of note that we had an exceptional summer period from May through July in the summer point stores, and this was the best summer from a weather perspective, and some of our profitable business units netted disproportionately from that positive comparison to a lousy summer last year.

Now those are three areas, and there's a variety of other slight mix-related issues, business unified business units. But that should give you a flavour of the majority of it.

PERRY CAICCO: Okay. Just one more fairly quick question. The \$4.6 million FreshCo charge, how much of that was start-up costs specifically, and how much was fixed asset write-offs?

PAUL BEESLEY: That's about... \$2.5 million was fixed asset write-offs in the balance of the general costs.

PERRY CAICCO: And it would be that same split going forward per... eight or nine stores?

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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 BEESLEY: Plus or minus. The asset base changes a little bit, so they could fluctuate as a mix, but I would use that number that we have in this quarter as a benchmark.

PERRY CAICCO: Okay. That's good for now. Thank you.

PAUL BEESLEY: Okay. Thanks.

OPERATOR: Your next question comes from the line of Patricia Baker from Scotia Capital. Your line is open.

PATRICIA BAKER: Good afternoon. I'm actually going to relieve you because my burning questions have been asked and answered. Thank you.

BILL MCEWAN: Okay. Thanks, Patricia.

OPERATOR: Your next question comes from the line of Jim Durran from National Bank Financial. Your line is open.

JIM DURRAN: Thank you. I just wanted to make sure that I heard you correctly that your gross margin at Sobeys was up 40 basis points in the quarter?

PAUL BEESLEY: No, 39.

JIM DURRAN: Thirty-nine? Point five?

PAUL BEESLEY: No, we had to run it down.

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

JIM DURRAN: Thanks for that. And would the sale of the real estate have had any impact on your EBITDA margin at Sobeys?

PAUL SOBEY: No, it didn't. The real estate that was sold from ECLD over to Sobeys is properties that were under development. So there is no impact on rent expenses at Sobey's level at this point.

JIM DURRAN: Okay. And capex spending seems to be light so far. Are you going to play catch-up on that and still sort of spend the amount you were expecting for the full year?

FRANCOIS VIMARD (Chief Financial Officer, Sobeys): Yes, I would say, Jim, that that's a target. Our targets have been north of \$400 million for the year. So we should catch-up in Q2-Q3.

JIM DURRAN: Okay. And Paul, just going back to the Genstar residential commentary, although you own more of it and there has been an improvement in activity, it looks like the margin's not what it was in the old days. Can you sort of talk to us why you're thinking that total year's going to come in flat for fiscal 2011?

PAUL SOBEY: Well I mean you look at the overall markets, and the markets in the residential are becoming softer again. And on the margin side, as we're developing new assets with the management group, obviously there're newer costs, and our intention is to mainly support them

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

to continue to grow and develop this business. So on the margin side from their side if they're adding new lands and new development opportunities it will reduce the margin naturally from the historic level.

And going forward we're just trying to give some balance in regards to what the expectation is at Genstar, and we'll try to update you on a quarter-by-quarter basis, but it does create a little bit of expectation or volatility in the market, which we don't think is necessary, so we're just trying to give you some guidance on that.

JIM DURRAN: Okay. And with respect to the sale of properties from ECL to Sobeys and Sobeys to Crombie, can you just sort of share with us your thinking about how you're managing that ownership structure now?

PAUL SOBEY: On the ownership structure between the two... in regards to our ownership structure of Crombie REIT?

JIM DURRAN: Yes, like, I guess the thinking behind where do you want that land, and then your subsequent facilities owned? Does Sobeys still want to own finished properties or is it just going to consistently sell it off to Crombie?

PAUL SOBEY: I think there's a balance between the necessity to own operation. I think Sobeys been looking at the distribution centres and some locations it's more appropriate for them to own those assets because

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

of the time horizon, and what they're looking at to do with those particular asset classes. But I think directionally we feel that it is a natural fit for our interest in Crombie, in which we have right now a 47-per-cent equity interest. We have no intention to go below the 40-per-cent level in Crombie, which is what our dilution target is on the convertible debenture side.

And we rolled the development side of the equation into the Sobeys. It was just a logical step now with the privatization of Sobeys to capitalize on the expertise of both the Empire development side expertise and the Sobeys site selection and development expertise they have internally, and coordinate those efforts. And we have excellent people heading up those divisions. And we're looking forward to capitalizing on those strengths. So we're just trying to simplify the process, capitalize on the synergies, and create some long-term value here.

JIM DURRAN: Okay. That's great. And just the last question on FreshCo. Bill, how long would it be before you would actually talk about opening up greenfield FreshCos as opposed to converting Price Chopper?

BILL MCEWAN: As a matter of fact, I won't disclose the location, but we will have a greenfield FreshCo very soon.

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

JIM DURRAN: And so despite the margin pressure, which you at least partially anticipated from competition, can you sort of give us an idea of what pockets of product categories are doing well that are sort of reinforcing your comfort with that concept?

BILL MCEWAN: Well, there's no question if you walk in those stores... you're talking about FreshCo specifically, right?

JIM DURRAN: Yes.

BILL MCEWAN: Okay. The fresh department ratios are outstanding by comparison to ordinary discount stores, particularly the produce, and produce as you've seen is very powerful, and we've made some modifications in the cycle two stores in the way they're operated, in the way they're stocked to handle the great response that we've had.

On top of that, the deli walls, the meat department, the bakeries, everything is performing at or above expectation in every one of those departments, and we had high expectations. We've had great trial. Sales per transaction are up. Traffic is solid. And we just hope to encourage a fuller shop, including more grocery categories as time goes by.

But clearly it's not called FreshCo... it's called FreshCo for a reason, and that is it's not just a discount store, it's fresh first with great discount, everyday cheaper, fresher prices. So it's very heavily driven by fresh. And

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

the operational disciplines that we have around shrink control and the way we merchandise give us a higher realized net margin, net net of the low pricing and improved shrink controls.

So that's what's contributing most right now.

JIM DURRAN: Okay. And I apologize, I do have one more question. When you were doing the IT systems rollout to the other regions, you did provide us with the extraordinary expense related to that. Now that you're doing SAP in Quebec, are you going to be doing the same thing for us?

FRANCOIS VIMARD: Yes, we will right now, but it's nothing really that material.

JIM DURRAN: It's not material.

FRANCOIS VIMARD: Yes. It's maybe in the range of maybe \$203 million this quarter. And so if there's anything material, Jim, we'll do it.

JIM DURRAN: Okay, great. Thank you.

PAUL SOBEY: There was a question... Emily asked a question in regards to how many shares of Crombie we have. It's 30,780,730 shares.

OPERATOR: Your next question comes from the line of Chris Lee from the Bank of America. Your line is open.

CHRIS LEE: Hi, good afternoon. Just first on the gross margin initiatives, the improvement initiatives that you mentioned early in your

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

comment, I want to get a sense of how sustainable you think they are. We just want to get a sense of how sustainable your margin improvement this quarter is for the duration of the fiscal year?

BILL MCEWAN: I'd answer that this way, in two phases. The first part of the answer is we work very hard on productivity initiatives, like fresh item management, workforce management, and now computer assisted ordering to improve our in-stock positions and control our shrink and really schedule our labour effectively. So the more and more they get implemented and institutionalized, the more sustainable those initiatives will be, and therefore our position to support our competitive pricing and promotional posture going forward.

However, I did say in my remarks at the beginning that irrespective of the sustainability of those initiatives, there are going to be dips and there are going to be peaks from quarter to quarter. So I would caution anybody from not straight-lining the performance out of this quarter on a go-forward basis. I'm not giving guidance, but I'm saying I wouldn't extrapolate what appears to be a strong quarter on margin expansion and expect that to absolutely stick over the short, medium or long term.

What we've said is we're committed to margin expansion, SG&A reduction, productivity improvement over the long term and there will be

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

some lumpiness along the way. The lumpiness went negative a little bit last quarter, as we mentioned, and positive a little bit this quarter. And the ebb and flow of the business could have a total, either way in any given quarter. But if you look at a call it six- to eight-quarter rolling average, the trend is we expect to continue to be positive for us.

CHRIS LEE: Okay, that's helpful. And just on the SG&A expenses, I noticed this quarter was up a little bit higher than expected, up about 3 per cent. Were there any one-time items in there?

BILL MCEWAN: Yes. Well half of the 25 basis points was in the FreshCo launch costs. Approximately the half of the SG&A was that one-time impact of the FreshCo launch costs. So as we've said, you can expect that whatever it is, 10 to 15 points in SG&A impact associated with those in subsequent quarters.

CHRIS LEE: And can you talk a bit about your ability to pass through cost increases to the consumers in light of the recent rising commodity prices? Are you having any good support from the vendor community there?

BILL MCEWAN: Yes, well we've said we have a very strong and appropriately aggressive posture with the vendor community, and 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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

competitive marketplace. But it varies category-by-category and market-by-market.

Cost doesn't dictate retail, market dictates retail. So irrespective of what the costs are or are not, we intend to remain competitive in each one of our performance going forward. So there is some stickiness as commodity prices increase, and we are able to pass on through. In other cases we're going the exact opposite direction because of competitive activity. So it's a really complicated mix of all, and this quarter it resulted in a positive result, and we hope to be able to sustain that, but we expect some lumpiness from quarter-to-quarter.

CHRIS LEE: Okay. And the last question is can you comment... are you seeing any meaningful changes in terms of consumer behaviour over the last, let's say, past several months?

BILL MCEWAN: No. Not discernable. It's approximately the same. We saw significant shifts about a year, a year-and-a-half ago, and when the so-called economy has softened and it was positive for items that people would otherwise eat out of home and were now eating in home with the new offerings that we have. I will say we're pleased with the progression of our Private Label Program, and I'm not so sure that's a consumer shift as much as it is the solid repackaging and reformulation

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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 repositioning of our Confidence product is supporting of better sales-increase ratio. But basically no significant shifts in consumer behaviour of note.

CHRIS LEE: Okay. Thanks very much.

OPERATOR: Your next question comes from the line of Philip Bassil from Beacon Securities. Your line is open.

PHILIP BASSIL: Hi. Thank you. Nice performance on the quarter. Most of my questions were asked, but I do have a couple. On the Vaughn automated... on the Vaughn centre, is it performing as expected or maybe a little better than expected?

FRANCOIS VIMARD: Yes, I would say so far after more than a year in operation we're under budget in term of operation, so we're right on line on that. Right on line.

PHILIP BASSIL: Right on line. And do you see an opportunity maybe this year to implement a similar type centre in another geography?

FRANCOIS VIMARD: We made a lot of analysis since we have built them, having partnership with our German vendor on this. And we're looking at different opportunities right now.

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

PHILIP BASSIL: Okay. And it was mentioned earlier your capex was a little lighter this quarter. You're looking at \$200 million target. What kind of... where do you see that going?

FRANCOIS VIMARD: Now it's... maybe I was rightly heard previously, it's more \$400 million for the year. And that's going to be... most of it will be at retail, for sure.

PHILIP BASSIL: Okay. Fair enough. Thank you very much.

OPERATOR: Again, if you would like to ask a question, please press * then the number 1 on your telephone keypad.

And your next question comes from the line of Keith Howlett from Desjardins Securities. Your line is open.

KEITH HOWLETT: Yes, I had a question on the competitive activity around the FreshCo stores. I guess I'm trying to remember the first ones might have been opened I think maybe about four months by now. Does it sort of tail off the longer they're open or is it sort of ongoing?

BILL MCEWAN: Well I'll share this, I mean the initial launches were... hit the market with quite a bit of stealth and a lot of marketing push behind the launch to gain awareness. And they were extraordinarily well received by the customer, 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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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 anything when there's something new in a marketplace that's as fresh and different as a FreshCo, and you market it to the consumer, you always get a bigger push at the front end, and then there's some normalization. But suffice it to say that we expect a good response. We got very good response. We expected to sustain good increases in those stores, and we sustained good increases in those stores. And quite frankly with the capital we're putting in that should be our expectation, and we're right on track.

KEITH HOWLETT: And I'm not sure you want to talk about this, but when you measure the traffic in a FreshCo that replaced a Price Chopper, do you see... is it quite a lift in traffic that you're seeing or...?

BILL MCEWAN: Yes, the immediate launches have quite an increase in traffic. But it's not that different from most store launches across the country. You get a big increase in traffic as people investigate, and then it settles out to being more about sales per transaction contributing to the growth as weeks progress.

KEITH HOWLETT: And then how do you... I know there's a lot going on. How do you sort of see food inflation going forward if you could sort of separate it out from the competitive activity?

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

BILL MCEWAN: It's hard to separate it out from the competitive activity because that's what's driving the deflation more than not now. So it really depends on the industry's sustainability of aggressive activity at these levels as we continue. So it's hard to know.

To try to answer your question, if you took out the self-inflicted industry deflation associated with promotional activity and competitive response, we think that there will be a move towards inflation over the course of the next two to three quarters, separate from that promotional influence.

KEITH HOWLETT: And I'll persist with a regional question, which you may not want to answer, but I know that a big competitive in the west lowered some of their prices in the last quarter. Is that a factor in the deflation or not really?

BILL MCEWAN: Sorry, I missed the region that you were talking about.

KEITH HOWLETT: Oh, the West, one of the competitors was lowering their prices. Was that an issue in deflation or not particularly?

BILL MCEWAN: Yes, modest. But we had a proactive pricing strategy there, and we were very well positioned against the competitive

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

set in Western Canada versus the retailer that had engaged in that lower pricing program. So no, it didn't have a material impact.

KEITH HOWLETT: And then just for clarification, the new MasterCard, there already is a Sobeys MasterCard. Is this a second one or...?

PAUL BEESLEY(?): No, this is a replacement for the previous MasterCard program that was in place in Ontario and the West. And it's a new launch of the Sobeys Air Miles MasterCard in partnership with BMO in Atlantic Canada.

KEITH HOWLETT: I see. So if someone has a MasterCard already, are they reissued a new one?

PAUL BEESLEY(?): Yes, they're offered the opportunity to convert. That's correct.

KEITH HOWLETT: I see. And then just lastly on the... I guess if you are opening a new FreshCo, what is sort of the ideal store size for the new FreshCo?

BILL MCEWAN: The ideal store size can vary quite a bit. It's a nice modular concept. But the optimum store size would be between 25,000 and 35,000 square feet.

KEITH HOWLETT: Great. Thanks very much.

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

BILL MCEWAN: Okay.

OPERATOR: Again, if you would like to ask a question, please press * then the number 1 on your telephone keypad.

And your next question comes from the line of Jim Durran from National Bank Financial. Your line is open.

JIM DURRAN: Your cash balance is obviously continuing to grow, up another \$95 million this quarter. Can you give us any idea as to what your intentions are for that cash balance? Are you happy with where it's at or do you intend to deploy it? What's your sort of priorities for deployment?

PAUL SOBEY: Well I guess the number one priority is to make sure that we are finding opportunities to effectively deploy the cash, and if we don't see the opportunity to do so then there's no urgency to spend capital. So we're monitoring that and we'll make the appropriate decision as we go along. We do have an investment portfolio, which is part of our treasury function, and if it's appropriate to park some of that excess cash in those areas, that's what we'll do, but we're not going to run out and rush to spend capital just to spend capital. And our focus is on our main businesses.

JIM DURRAN: Thank you.

PAUL SOBEY: Yes.

"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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »

OPERATOR: There are no further questions at this time.

PAUL BEESLEY: Thank you very much, Sarah.

Ladies and gentlemen, thanks so much for participating in this call. We look forward to having you join us for our second quarter call, which is scheduled for December the 9th. Thanks so much. Bye-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 Groupe CNW ait fait tous les efforts possibles pour produire cet audioscript, la société ne peut affirmer ou garantir qu'il ne contient aucune erreur. Groupe CNW 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. »