

EVENT: EMPIRE COMPANY LTD.
Q4 F2012 CONFERENCE CALL
REFERENCE: CNW GROUP
TIME: 13H00 E.T.
LENGTH: APPROXIMATELY 28 MINUTES
DATE: JUNE 28, 2012

"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 Tracy (phon), and I will be your conference Operator today. At this time, I would like to welcome everyone to the Empire Company Limited Q4 2012 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. Thank you.

And I will now introduce and turn the call over to Mr. Paul Beesley, Executive President and CFO. You may begin your conference, sir.

PAUL BEESLEY (Executive Vice President and Chief Financial Officer, Empire Company Limited): Thank you very much. Good afternoon, and welcome to the Empire Company Limited Fourth Quarter and Fiscal 2012 Year-End Conference Call. Thanks for joining us today.

Our comments will focus primarily on the financial results for the fourth quarter and fiscal year ended May 5, 2012. At the end, we'll be open to your questions.

This call's being recorded in live 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. »

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

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.

This morning we released Empire's fiscal results for the fourth quarter and fiscal year ended May 5, 2012. The fourth quarter of fiscal 2012 contained 13 weeks of operations for Sobeys compared to 14 weeks in fiscal 2011. This additional week last year accounted for \$313.6 million in sales, and approximately \$6.3 million in net earnings.

Empire reported consolidated sales in the fourth quarter of \$4.07 billion compared to \$4.15 billion last year. Excluding the impact of the additional week of sales in fiscal 2011, and the impact of the acquisition by Sobeys of 236 retail gas locations and related convenience store

"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. »

operations of \$131 million in the fourth quarter of fiscal 2012, consolidated sales increased \$106.6 million or 2.8 percent.

Consolidated sales for fiscal 2012 were \$16.25 billion, and increase of \$292.3 million or 1.8 percent compared to fiscal 2011, largely driven by a \$288.3 million or 1.8 percent growth in sales for the food retailing segment.

Excluding the impact of the additional week of operations in fiscal 2011, and the impact of the sales related to the acquisition of the 236 retail gas locations and related convenience store operations, sales reported by Empire increased by \$474.9 million or 3 percent.

Empire reported fourth quarter net earnings, net of minority interest, of \$92.1 million or \$1.35 per share compared to \$82.5 million or \$1.21 per share in the fourth quarter last year.

Fourth quarter consolidated adjusted net earnings, net of minority interest, were \$89.5 million or \$1.32 per share compared to \$81.3 million or \$1.20 per share reported in the 14 weeks ended May 7, 2011.

Adjusting for the additional week of operations, adjusted net earnings, net of minority interest on a comparable 13-week basis in fiscal 2011, would have been \$75 million or \$1.10 per share, a \$14.5 million or 19.3 percent increase.

"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. »

Net earnings, net of minority interest for the 52 weeks ended May 5, 2012, were \$339.4 million or \$4.99 per share compared to \$400.6 million or \$5.87 per share recorded for the 53 weeks last year. Included in net earnings last year was a net gain from the sale of our ownership interest in Wajax Income Fund for \$76.2 million.

After excluding the impact of this item, as well as other items which are not considered indicative of underlying business operations, Empire reported adjusted net earnings, net of minority interest, of \$320.6 million or \$4.71 per share versus \$303.2 million or \$4.45 per share for the 53 weeks ended May 7, 2011. Excluding the impact of the additional week of operations last year, adjusted net earnings, net of minority interest, for the full fiscal year increased by \$23.7 million or 8 percent.

Empire's liquidity remained strong, with consolidated cash and cash equivalents of \$510 million at the end of fiscal 2012, and unutilized bank lines of \$737 million. As well, our debt ratio continues to improve, with debt to capital at the end of the fourth quarter equal to 25.0 percent versus 26.7 percent at the start of the fiscal year.

I'll now turn the call over to Paul Sobey.

PAUL SOBEY (President and Chief Executive Officer, Empire Company Limited): Thanks, Paul, and good afternoon, everyone. We are

"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. »

pleased with our fourth quarter and full year performance, and we continued to profitably grow both our food retail businesses and our investments in other operations in a very competitive environment. And we continue to make progress on our key strategic initiatives.

First a few remarks on the performance of Empire's investments and other operating segments. Adjusted net earnings contribution from investment and other operation in the fourth quarter was 10.4 million versus 5.8 million last year, a \$4.6 million improvement.

Crombie REIT contributed equity earnings of 4.9 million in the fourth quarter compared to 5.1 million from last year, with cash distributions received from Crombie REIT in the quarter of 7.6 million versus 6.8 million last year.

For fiscal 2012, Crombie REIT's equity earnings contribution to Empire was 19.7 million compared to an 18.4 million contribution in the prior year. During fiscal 2012, Empire received cash distributions from Crombie of 28.2 million compared to 26.7 million in fiscal 2011.

At fiscal year-end, the market value of our 44.3 percent ownership interest, a 40.7 fully diluted position, was 521 million at the end of the quarter on a cost base of \$167 million. It's worthy to note that related real estate sales to Crombie in fiscal 2012 totalled 124 million versus 104

"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. »

million in the same period last year; total gains on real estate sales to Crombie was 26.6 million in fiscal 2012 versus 31.9 million last year.

Factoring in adjustments under consolidation results in a pretax gain of 12.4 million compared to 12.2 million last year. For detailed information on Crombie REIT's performance, please see its latest quarterly release dated May 10th.

On the residential property side, Genstar contributed equity earnings to Empire of 13.2 million in the fourth quarter compared to 17.7 million last year. For the year, Genstar's contributed equity earnings of 30 million compared to 32.1 million last year.

Now before we review Sobeys' progress, I would like to take some special time to acknowledge the contributions of Bill McEwan. On behalf of the employees, franchisees, and affiliates, along with the Board and the Sobey family, we extend our heartfelt appreciation and best wishes to Bill. Bill's inspired leadership for more than 11 years has lead Sobeys to grow sales from 9.1 billion to 16 billion, and has resulted in net earnings growth by more than 200 percent.

I would like to also take this opportunity to introduce Marc Poulin, who has been appointed President and CEO of Sobeys effective tomorrow, June 29th. Marc will succeed Bill McEwan, who as you aware,

"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. »

will be stepping down after this meeting. We are very excited to welcome Marc as the newly appointed President and CEO of Sobeys. And Marc has been President of Sobeys IGA Operations in Quebec for the past 11 years, where he and his team have built a thriving business. Our Quebec operations are widely recognized as one of the best food store portfolios in North America.

It's a testament to the depth and the talent we have in our organizations that we have internally such high calibre people. And with that, I take great pride in introducing and asking Marc to say a few words.

MARC POULIN (President, IGA Operations, Sobeys Inc.): Thank you, Paul, for that kind introduction. Bill always told me that leading Sobeys was the best retail job in the country, and I certainly agree. And I consider myself very fortunate to succeed Bill and lead a company with such a rich history with 105 years of history behind it.

We know that we have the right strategy in place to continue to build long-term sustainable value. Our priority will continue to be the timely execution of our initiatives, and then to effectively communicate our ongoing progress as we meet and exceed our goals. So it's business as usual.

"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. »

We are fortunate, as you say, Paul, to have such strong people resources at Sobeys. This capacity, along with our financial resources and the governance from our strong Board, are all fundamental to our continued success.

With that, I will ask Bill McEwan to comment on Sobeys' performance.

BILL MCEWAN (President and Chief Executive Officer, Sobeys Inc.): Thank you, Marc. Those of you who know Marc know him to be a highly qualified food retailer with a solid reputation across our industry.

I know that Marc has the proven capabilities, and as Marc leads Sobeys' food-focused strategy forward, I'm very confident that his knowledge and experience will serve Sobeys Inc., and in turn Empire, well in the years ahead.

Now a few comments on Sobeys' fourth quarter financial results. Fourth quarter sales were 4.02 billion versus 4.1 billion last year. After adjusting for the impact of the additional week of sales last year of 313.6 million, as well as the 131 million of sales relating to the acquisition of 236 retail gas locations and related convenience store operations from Shell Canada, Sobeys' fourth quarter sales contribution to Empire increased \$103 million or 2.7 percent.

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

« Bien que 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. »

Same-store sales growth was 0.7 percent in the quarter with no retail inflation in aggregate. Sobeys' Q4 EBITDA percentage was up 37 basis points over last year. Gross profit margin declined 38 basis points to 24.5 percent due, as expected, entirely to the new lower margins resulting from the increased fuel sales in the mix.

Sobeys' Q4 EBIT contribution to Empire increased \$8.7 million to \$120 million. Sobeys' Q4 adjusted net earnings contribution to Empire increased \$3.6 million to 79.1 million, up 9.9 million if we further adjust for the impact of the additional week last year.

During the quarter, property and equipment purchases totalled 177 million with eight new stores open, one new relocated, and four expanded. In addition, as mentioned earlier, on March 15th we acquired 236 retail gas locations and related convenience store operations in Quebec and Atlantic Canada from Shell Canada for \$215 million.

A few comments on our full fiscal year results. Sales for full fiscal year 2012 were \$16.04 billion versus 15.76 billion last year. After adjusting for the impact of the additional week of sales last year and sales related to the gas store purchases that we spoke of before, sales increased \$470.9 million or 3.0 percent.

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

« Bien que 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. »

Same-store sales grew by 1.4 percent for the full fiscal year. Sobeys' EBITDA contribution to Empire for fiscal 2012 was \$801.8 million compared to \$793.6 million last year, with adjusted EBITDA contribution up \$13.5 million.

Sobeys' adjusted EBIT contribution to Empire increased \$7.7 million to \$462.6 million. Sobeys' fiscal 2012 adjusted net earnings contribution to Empire increased \$11.7 million to 292.5 million, up \$18 million if we further adjust, as we've said before, for the impact of the additional week last year.

Despite \$567 million invested in property, equipment, and investment in property purchases during the year, Sobeys generated free cash flow of \$180 million in fiscal 2012. And our debt ratio continued to improve, with a debt to capital ratio of 27.2 versus 29.4 last year.

Net retail square footage increased by 290,000 square feet during the quarter and at the end of the year Sobeys' square footage totalled 29.2 million square feet, a 2.1 percent increase over the prior year.

Now a few comments on the progress on our various initiatives and focus going forward. First, the Terrebonne, Quebec automated distribution centre continues to be on plan, and we are scheduled to be fully operational by late spring 2013.

"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 SAP implementation in our Quebec IGA operations business unit continues right on track, with a fresh go live scheduled this July, and a grocery go live scheduled, as planned, for this fall.

We continue to be pleased with our FreshCo offering, as the team continues to increase top and bottom line performance. In Q4, we opened an additional three FreshCo stores, bringing our total to 68 now. The new locations in Mississauga, Bowmanville, and Orangeville have all been very well received and represent solid incremental sales opportunities.

Two new Thrifty stores are under construction, one of which will be co-anchored with Target. As well, our new 150,000 square foot retail sports centre located just outside of Victoria is in the final stages of completion with an official opening scheduled for July the 9th.

We continue to advance our relationship with Target. This now includes an agreement to work on enhancing our food related and grocery convenience general merchandise offering within our full-service format stores.

In addition, as mentioned, we closed the acquisition of the 236 retail gas locations and related convenience store operations on March 15th. We are currently focused on improving POS systems to allow 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. »

cross-promotional opportunities between our food stores and the gas operations, leveraging the full potential of the Air Miles program.

Through all of these initiatives, irrespective of the ebbs and flows of macroeconomic conditions and the food retail sector generally, we are confident that we can continue to grow and perform in a competitive environment. As we have said consistently, we have put the tools, processes, and disciplines in place to assist our people in getting the job done well. And we have modernized our stores and infrastructure, and I'm pleased to say that Sobeys has never been stronger.

Before I do turn the call back to Paul for his closing comments, and as this is my final act as CEO of Sobeys, I want to take this opportunity to express my gratitude, appreciation, and great respect to the entire cast of people coast to coast at Sobeys. As well, my thanks to the Sobeys and Empire Directors, and the Sobeys family for the support and faith to stick with our plan long enough to allow it to win.

And to all of you in the community of analysts, investors, and journalism, it's been an interesting and educational experience, both ways I trust. Thanks for making it so. And all the best to you, Marc, and your team, as I am sure you will take the business to the next level together.

"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 finally, for all those of you who do, thank you for shopping at Sobeys.

PAUL SOBEY: Thanks, Bill, and thanks for those kind words. Fiscal 2012, as indicated, was a solid year with growth and earnings, and continued improvement in our financial condition.

And consistent with our growth, on behalf of the Board, we announced an increase in Empire's common dividend per share from \$0.225 quarterly to \$0.24 quarterly, a 6.7 percent increase. This marks the seventeenth consecutive year of dividend increases.

The annualized \$0.96 dividend rate equals approximately 20 percent of our fiscal 2012 adjusted net earnings per share. And going forward, we remain committed to long-term value creation by allocating our capital to businesses that we know and understand, and specifically we intend to remain focused on our core strengths of food retailing and real estate.

And we'd be now happy to respond to your questions.

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

Your first question comes from the line of Michael Van Aelst with 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 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. »

DEREK LESSARD: Hi, guys. It's actually Derek standing in for Mike. I'm just wondering if you could give us an idea of what were the major contributors to the strong EBITDA margin expansion this quarter?

BILL MCEWAN: Well, there was just good, consistent, strong, improved operating performance across the board across all the regions and business units, and the continued cost control that we've been talking about for a long time now.

So it's just more progress along the continuum, and our sales were strong. As we said, we had the dilutive effect on our margins associated with the purchase of the Shell gas station, but on the EBITDA side it's a good balance of net true adjusted margin improvement and continued SG&A reduction.

So I won't point to any specific region or any specific initiative. It's on balance; just continuing to execute our plan.

DEREK LESSARD: Okay. And how dilutive are the gas margins?

BILL MCEWAN: Well, we'll put it this way. The entire reduction as it appears to you in gross margin and more is associated with the dilution associated with the sales impact (phon) of gas. So if you take the reductions of margins—if you take Shell out of it, the gas mix out of it, gross margins improved.

"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. »

DEREK LESSARD: Okay. Thanks. That's helpful. And we've seen tonnage moderate over the past year or so. It seems to have turned negative in Q3 and it's back up this quarter. Maybe could you just explain what you believe is going on here?

BILL MCEWAN: It was a good return to an increase or an improvement in tonnage overall. Our same-store sales growth and our net sales growth was driven about one-third by transaction size, and about two-thirds by traffic count.

So no, I think it's just—I can't put a particular finger on the different tonnage. All I can say is we're pleased that it's a good balanced improvement all the way across the network.

DEREK LESSARD: Think it's sustainable?

BILL MCEWAN: We intend to make it so.

BILL MCEWAN: Right, Marc?

MARC POULIN: Right.

DEREK LESSARD: Okay. I have just one last question on the residential real estate. Q4 is usually a strong quarter for you guys and it seems to have fallen a little bit. Any colour there?

PAUL SOBEY: Go ahead, Paul.

"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: Yeah. Well I think part of it is where they are in terms of the cycle of development of inventory, and just the nature of the general economic environment.

DEREK LESSARD: Okay. Thanks, guys.

OPERATOR: Your next question comes from the line of Emily Foo with BMO Capital Markets. Your line is open.

EMILY FOO: Hi. It's Emily Foo for Peter Sklar. With the Shell Gas acquisition, I believe it closed on March 15th, so is that seven weeks of performance in the numbers?

BILL MCEWAN: You have to look at it. It didn't close off. The transaction closed in that time, but we phased in the operation, so we really don't have nearly a significant impact in the fourth quarter associated with the Shell purchase as we'll get as a full quarter impact in the first quarter this year.

EMILY FOO: Okay. So are we fully phased in now?

BILL MCEWAN: Yeah. We're fully phased in now. We're operating all the assets now, and have been for the entire quarter.

EMILY FOO: For the entire of...

BILL MCEWAN: Of the first quarter. Yeah.

EMILY FOO: First quarter.

"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: Correct.

EMILY FOO: Yeah. So how have they been expecting versus your expectation?

BILL MCEWWAN: You know what? Marc's closest to it. I'll turn it over to him for comment.

MARC POULIN: Since we took control of the assets, performance has been in line with expectations. We are obviously not at this stage taking full benefits of this acquisition in terms of synergies and cross-merchandising opportunities. We're working on making that happening.

But there's a great level of excitement in the network versus those opportunities, and we're really looking forward to a fully accretive acquisition.

EMILY FOO: And are you expecting to invest in these assets in CapEx.

MARC POULIN: Clearly we're finalizing our plans on the CapEx side, but in the business case that we built for the acquisition there is significant investment in CapEx.

EMILY FOO: I see. And also we've noticed that there have been some IMAX installations at your Empire Theatres, so can you just give an update on that business and how much is CapEx regulated?

"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 SOBEY: The CapEx on the theatre business is roughly around, what is it, \$20 million annually? And they continue to update on the offering. The exact number of locations, Paul?

PAUL BEESLEY: We just opened—we now have five IMAX theatres, the most recent one opening on May the 5th, and they're committed to continuing to invest in the circuit to ensure that it remains relevant and attractive to patrons.

And then in addition, you probably noticed that they issued a press release. They acquired two additional cinemas, one in Whitby and the other in a suburb of Ottawa from AMC, so they continue to invest as appropriate in the business.

EMILY FOO: Thank you. Those are my questions.

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

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

JIM DURRAN: Yeah. Bill, just wanted to talk to you about inflation. So we saw a significant drop off and I don't claim to be a better forecaster than you, but I think you were hopeful that it was going to hold in at the 1.5 percent level for a while.

"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: Yeah.

JIM DURRAN: What are the major drivers to that deceleration in the inflation level?

BILL MCEWAN: There'd be two things. There was some captured inflation, retail price inflation associated with cost of goods increases on grocery in the majority of our mix, but there was significant deflation in produce across the board, significant.

And in addition to that, the promotional activity in the Central Canadian/Ontario part of our business drove some, let's call it, promotional deflation. So what inflation there was on a good percentage of the business was more than offset by produce and the promotional impact on Ontario to the point where it neutralized what inflation there was elsewhere.

JIM DURRAN: Okay. And do you expect that to sustain itself on the produce side? I mean the Canadian dollar has been weakening versus the US dollar.

BILL MCEWAN: We think it would be—I'd like to think that we hit the trough and that we're on our way back up, but I think that you could still see some impact of deflation in produce for the next short while, but we shall see.

"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. »

We didn't see that. We didn't anticipate that kind of deflation in produce heading in, so we're not certain what it's going to be going forward, but it will be what it will be, as you know, Jim.

JIM DURRAN: Great. On the restructuring charge in the quarter, can you give us some details as to what was involved in that restructuring, and what kind of payback period you expect to get?

BILL MCEWAN: Yeah. It's part of a longer term set of internal initiatives behind the reset of our organization, and a lot of that was some modest consulting charges compared to what perhaps happens elsewhere.

But the restructuring charges are just that. It's really a longer-term payback in terms of re-fitting our organization, re-setting our processes, centralizing some functions, all of which has yet to be pinned down. And you'll hear more from the new management team in the coming quarters, whatever, the next six months at least, specifically what we expect that might deliver for the organization.

JIM DURRAN: Okay. And with respect to the quarter specifically on the SG&A side, I mean you said it was a confluence of a number of initiatives, but was there any one significant factor that caused it to be so well contained?

"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: That's what's so encouraging. It's everything working for all intents and purposes in unison. The team across the board has very good cost control disciplines in place.

Clearly we're going through a reset of the organization, so there's a little more internalized effort going on. There was a little bit of inflation associated—included in the sales, so it affects the rate. When you put the Shell—the fuel sales in, it makes the percentage drop look better than it actually is. But it's still, it's a good improvement.

But, Jim, as we've said before, it's the confluence of a whole series of initiatives working together to deliver the net results on a quarter-by-quarter, year-by-year basis. But we're pleased with the continued progress.

JIM DURRAN: Okay. Thanks, Bill, and best of luck.

BILL MCEWAN: Thank you, Jim.

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

PAUL BEESLEY: Well, thank you very much for joining us on our fourth quarter call, and we look forward to having you join us again in September when we have our first quarter call.

Thanks so much. Bye-bye.

"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: 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. »