

# FIRMLY ON COURSE



Empire's primary objective is to maximize long-term, sustainable value by enhancing the worth of the Company's assets and having that value reflected in a higher enterprise value. We continued to do that in fiscal 2011 by maintaining a relentless focus on the businesses we know and understand best.

Empire's growing focus on food retailing and related real estate served our shareholders well in fiscal 2011 amid continued weakness in the Canadian economy. Despite intense price competition and deflationary conditions in the retail grocery industry, Sobeys managed to grow both revenue and earnings. The performance of Empire's real estate, more specifically our investment interest in Crombie REIT and Genstar, was also solid thanks to a growing concentration in a very defensive segment of the commercial real estate market and growth in residential lot sales in Western Canada.

The steadiness of Empire's performance was reflected in both its dividend and enterprise value. On June 30, 2011, the dividend payable on Empire shares was increased 12.5 percent from \$0.20 per quarter to \$0.225 per quarter, the 16th consecutive annual increase. During the past 10 years, Empire shares have generated a compound annual growth rate in total return of 13.9 percent versus 8.0 percent for the S&P/TSX Composite Index.

While the market conditions of even the most stable businesses will fluctuate from year to year, Empire's Board will always remain focused on creating sustainable growth in sales, earnings and enterprise value over the long term. We are running a marathon, not a sprint, and we have been in this race for a long time.

Our progress is guided by a capable group of seasoned executives that includes Sobey family representatives and a majority of independent directors. This unique mix creates a healthy and challenging dynamic in which our primary focus is on long-term performance rather than quarterly results.

As a Board, our responsibilities include ensuring that we have the best people running our businesses, that we understand

and support management's strategies and that we recognize the competitive risks in a changing marketplace. We also believe in giving our executives the time and resources they need to build better, more sustainable businesses.

Our senior management teams have been doing just that. Their successful execution of numerous sales and productivity initiatives kept Sobeys growing in a very challenging year, while positioning the company for even higher levels of performance in the years ahead. They are also working more closely than ever before with an excellent management team at Crombie REIT to help foster Sobeys' growth and to increase the value of Empire's real estate interests. The close relationship between Sobeys and Crombie REIT and our focus on being the best together aligns well with our commitment to building long-term sustainable value.

In closing, I would like to extend our sincere appreciation to Christine Cross who is leaving the Board this year after four years of distinguished service. Christine contributed greatly to Empire's success and brought valuable experience as a veteran of the European grocery industry.

On behalf of the Board, I would also like to thank the thousands of employees in Empire's operating companies, franchises and other affiliates. Their efforts allowed us to achieve another successful year while creating a stronger foundation for the future.

A handwritten signature in black ink that reads "Rob Dexter".

**Robert P. Dexter**  
Chair  
Empire Company Limited  
June 30, 2011