

FINANCIAL SUMMARY AND HIGHLIGHTS

Fiscal 2011 earnings before capital gains and other items were \$307.8 million (\$4.51 per share), a \$23.3 million or 8.2 percent increase from the \$284.5 million (\$4.15 per share) recorded last year. Fiscal 2011 operating earnings were favourably impacted by the continued strength in the fundamentals of our core food retailing business, which also benefited from an additional week of operations and from a lower effective income tax rate. Management calculates that these two factors combined to positively impact fiscal 2011 net earnings by approximately \$9.2 million. The additional week of operations for the food retailing division (53 week year) accounted for approximately \$313.6 million in sales.

Net earnings for fiscal 2011 were \$369.5 million (\$5.42 per share) compared to \$301.9 million (\$4.40 per share) last year. The \$67.6 million or 22.4 percent increase in net earnings was the result of a \$23.3 million increase in operating earnings and an increase in net capital gains and other items of \$44.3 million, largely reflecting the sale of the investment in Wajax Income Fund.

The table below provides a comparative of key operating results for the years ended, May 7, 2011 (53 weeks), May 1, 2010 (52 weeks) and May 2, 2009 (52 weeks).

(\$ millions)	2011	2010	2009
Sales	\$ 16,029.2	\$ 15,516.2	\$ 15,015.1
EBITDA	859.5	819.4	802.3
Operating income	497.4	479.7	466.2
Interest expense	71.3	72.5	80.6
Income tax expense	109.3	117.1	115.6
Minority interest	9.0	5.6	8.3
Capital gains and other items, net of tax	61.7	17.4	3.0
Earnings before capital gains and other items	307.8	284.5	261.7
Net earnings	369.5	301.9	264.7

The Company's financial condition has improved in fiscal 2011 as evidenced by the capital structure and key financial condition measures presented in the table below.

(\$ in millions, except per share and ratio calculations)	2011	2010	2009
Shareholders' equity	\$ 3,249.0	\$ 2,952.4	\$ 2,678.8
Book value per share	\$ 47.76	\$ 43.07	\$ 39.07
Funded debt to total capital	26.4%	29.3%	32.7%
Net debt to net total capital	14.5%	21.8%	28.6%
Debt to EBITDA	1.4x	1.5x	1.6x
Total assets	\$ 6,555.4	\$ 6,248.3	\$ 5,891.1
Return on equity ("ROE")	11.9%	10.7%	10.5%

During fiscal 2011, the Company continued to generate cash flows from operating activities in excess of cash used in investing activities, as outlined in the table below.

(\$ millions)	2011	2010	2009
Cash flows from operating activities	\$ 686.6	\$ 784.1	\$ 668.0
Cash flows used in investing activities	(315.7)	(466.1)	(413.9)
Cash flows used in financing activities	(155.0)	(148.6)	(213.9)
Increase in cash and cash equivalents	\$ 215.9	\$ 169.4	\$ 40.2

Summary Statements of Earnings and Comprehensive Income

Year ended (\$ in millions except per share amounts)	May 7, 2011 (53 weeks)	May 1, 2010 (52 weeks)
Sales	\$ 16,029.2	\$ 15,516.2
Operating expenses		
Cost of sales, selling and administrative expenses	15,199.5	14,728.2
Depreciation and amortization	362.1	339.7
	467.6	448.3
Investment income	29.8	31.4
Operating income	497.4	479.7
Interest expense	71.3	72.5
	426.1	407.2
Income taxes	109.3	117.1
Minority interest	9.0	5.6
Earnings before capital gains and other items, net of tax	307.8	284.5
Capital gains and other items, net of tax	61.7	17.4
Net earnings	\$ 369.5	\$ 301.9
Other comprehensive income	7.7	20.4
Comprehensive income	\$ 377.2	\$ 322.3
Basic Earnings Per Share		
Operating earnings	\$ 4.52	\$ 4.16
Capital gains, net of tax	0.91	0.25
	\$ 5.43	\$ 4.41
Diluted Earnings Per Share		
Operating earnings	\$ 4.51	\$ 4.15
Capital gains, net of tax	0.91	0.25
	\$ 5.42	\$ 4.40

The information in this Summary Statement of Earnings and Comprehensive Income for 2011 and 2010 and the Consolidated Balance Sheets for 2011 and 2010 and the Consolidated Statements of Cash flows for 2011 and 2010, as shown on pages 24-25, corresponds to the information contained in Empire's Consolidated Financial Statements for the fiscal year ended May 7, 2011 as filed on SEDAR. For complete Audited Consolidated Financial Statements, including notes, please refer to the Consolidated Financial Statements and Management's Discussion and Analysis for fiscal year ended May 7, 2011 as filed on SEDAR.

Consolidated Balance Sheets

(\$ in millions)	May 7, 2011	May 1, 2010
Assets		
Current		
Cash and cash equivalents	\$ 616.9	\$ 401.0
Receivables	346.6	336.9
Income taxes receivable	0.3	–
Inventories	906.1	880.3
Prepaid expenses	75.2	70.1
Loans and other receivables	81.7	105.8
	2,026.8	1,794.1
Investments at realizable value	14.3	10.9
Investments, at equity (realizable value \$436.9; 2010 – \$476.8)	26.8	56.8
Loans and other receivables	68.8	79.2
Other assets	107.1	94.5
Property and equipment	2,620.1	2,548.7
Assets held for sale	59.4	36.5
Intangibles	453.7	455.0
Goodwill	1,178.4	1,172.6
	\$ 6,555.4	\$ 6,248.3
Liabilities		
Current		
Bank indebtedness	\$ 8.1	\$ 17.8
Accounts payable and accrued liabilities	1,689.0	1,621.6
Income taxes payable	–	19.5
Long-term debt due within one year	49.7	379.4
Liabilities relating to assets held for sale	12.7	–
Future tax liabilities	46.6	50.9
	1,806.1	2,089.2
Long-term debt	1,095.4	829.0
Other long-term liabilities	143.2	130.6
Future tax liabilities	95.9	86.4
Employee future benefits obligation	130.0	125.1
Minority interest	35.8	35.6
	3,306.4	3,295.9
Shareholders' equity		
Capital stock	320.5	325.1
Contributed surplus	4.7	3.2
Retained earnings	2,944.2	2,652.2
Accumulated other comprehensive loss	(20.4)	(28.1)
	3,249.0	2,952.4
	\$ 6,555.4	\$ 6,248.3

Consolidated Statements of Cash Flows

Year ended (\$ in millions)	May 7, 2011 (53 weeks)	May 1, 2010 (52 weeks)
Operating Activities		
Net earnings	\$ 369.5	\$ 301.9
Items not affecting cash	308.8	358.0
Preferred dividends	(0.1)	(0.1)
	678.2	659.8
Net change in non-cash working capital	8.4	124.3
Cash flows from operating activities	686.6	784.1
Investing Activities		
Net increase in investments	(38.4)	(50.5)
Net proceeds from sale of Wajax	121.3	–
Purchase of property and equipment	(554.0)	(434.0)
Proceeds on disposal of property and equipment	176.7	137.1
Additions to intangibles	(34.3)	(34.7)
Loans and other receivables	34.5	(44.1)
Increase in other assets	(4.5)	(5.9)
Business acquisitions	(17.0)	(34.0)
Cash flows used in investing activities	(315.7)	(466.1)
Financing Activities		
Decrease in bank indebtedness	(9.7)	(28.1)
Issue of long-term debt	218.3	97.7
Repayment of long-term debt	(272.7)	(158.6)
Decrease in minority interest	(8.8)	(8.9)
Repurchase of preferred shares	(0.1)	–
Repurchase of Non-Voting Class A shares	(27.6)	–
Common dividends	(54.4)	(50.7)
Cash flows used in financing activities	(155.0)	(148.6)
Increase in cash and cash equivalents	215.9	169.4
Cash and cash equivalents, beginning of year	401.0	231.6
Cash and cash equivalents, end of year	\$ 616.9	\$ 401.0