

News Release

EMPIRE
COMPANY LIMITED

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FOR IMMEDIATE RELEASE
September 14, 2011

EMPIRE COMPANY REPORTS FIRST QUARTER FISCAL 2012 RESULTS

Empire Company Limited (TSX: EMP.A) today announced financial results for its first quarter ended August 6, 2011. For the first quarter, the Company recorded earnings before capital losses and other items, net of minority interest, of \$90.1 million (\$1.32 per share) compared to \$86.3 million (\$1.26 per share) in the first quarter last year. Net earnings in the first quarter after minority interest were \$89.2 million (\$1.31 per share) compared to \$86.3 million (\$1.26 per share) in the first quarter last year.

Paul Sobey, President and CEO stated, "We are pleased with our start to fiscal 2012 as both Sobeyes and our investments and other operations segments posted increased earnings in a very competitive environment. Sobeyes' improved merchandising and execution combined with ongoing cost and productivity initiatives continue to fuel our ability to sustain growth."

With the transition to International Financial Reporting Standards ("IFRS") effective the first quarter of fiscal 2012, all comparative figures for fiscal 2011 that were previously reported in the consolidated financial statements prepared in accordance with Canadian Generally Accepted Accounting Principles ("CGAAP") have been restated to conform with the new IFRS standards.

With the transition to IFRS, the Company now has two reportable operating segments:

- 1) The **Food Retailing segment**, which consists of wholly-owned Sobeyes Inc. ("Sobeyes"); and
- 2) The **Investments and Other Operations segment**, the principal components of which include investments in Crombie REIT (45.9 percent ownership interest; 40.4 percent fully diluted), an approximate 40 percent ownership interest in Genstar Development Partnership and wholly-owned Empire Theatres Limited.

Further information on the transition to IFRS is included in note 18 to the Company's first quarter unaudited consolidated financial statements. The unaudited consolidated financial statements for the first quarter ended August 6, 2011 are available through a link as provided in the section titled "Unaudited Consolidated Financial Statements" at the end of this news release.

In addition to the financial information contained in this quarterly news release and in the unaudited consolidated financial statements, the Company's quarterly and annual Management's Discussion and Analysis are available on the Company's website at www.empireco.ca and also on SEDAR at www.sedar.com.

First Quarter Highlights

- Sales of \$4.15 billion, up \$128.3 million or 3.2 percent.
- Sobeys' same-store sales increased 1.7 percent compared with Q1 last year.
- Operating income of \$150.4 million versus \$148.5 million last year.
- Effective income tax rate of 27.1 percent versus 28.9 percent in Q1 last year.
- Earnings before capital losses and other items, net of minority interest, of \$90.1 million (\$1.32 per share) compared to \$86.3 million (\$1.26 per share) last year.
- Capital losses and other items, net of tax, of \$0.9 million compared to nil in Q1 last year.
- Net earnings, net of minority interest, of \$89.2 million (\$1.31 per share) compared to \$86.3 million (\$1.26 per share) last year.
- Funded debt to total capital ratio of 25.5 percent compared to 30.3 percent in Q1 last year.

Note: Empire had a diluted weighted average number of shares outstanding in the first quarter of 68.0 million compared to 68.5 million in the first quarter last year. The decrease was a result of the purchase for cancellation under a Normal Course Issuer Bid ("NCIB") of a total of 0.5 million Non-Voting Class A shares during the second quarter of last fiscal year.

Dividend Declaration

The Board of Directors declared a quarterly dividend of 22.5 cents per share on both the Non-Voting Class A shares and the Class B common shares that will be payable on October 31, 2011 to shareholders of record on October 14, 2011. The Board also declared regular dividends on the Company's outstanding preferred shares. These dividends are eligible dividends as defined for the purposes of the Income Tax Act (Canada) and applicable provincial legislation and, therefore, qualify for the favourable tax treatment applicable to such dividends.

CONSOLIDATED FINANCIAL RESULTS

Sales

Consolidated sales for the first quarter were \$4.15 billion compared to \$4.03 billion for the same quarter last year, an increase of \$128.3 million or 3.2 percent. Sobeys' sales equalled \$4.11 billion versus \$3.98 billion in the first quarter last year, an increase of \$130.8 million or 3.3 percent. Sobeys' first quarter same-store sales increased 1.7 percent compared to the first quarter last year. The growth in Sobeys' sales is the direct result of modest inflation, increased retail selling square footage from new stores and enlargements, coupled with the ongoing implementation of sales and merchandising initiatives, improved store level execution, and product and services innovation.

Investments and other operations' sales in the first quarter were \$51.1 million versus \$51.7 million in the first quarter last year.

The table below presents a summary of consolidated financial performance for the 13 weeks ended August 6, 2011 compared to the 13 weeks ended July 31, 2010.

(\$ in millions, except per share information)	13 Weeks Ended August 6, 2011	13 Weeks Ended July 31, 2010
Segmented sales		
Food retailing	\$ 4,106.1	\$ 3,975.3
Investments and other operations	51.1	51.7
	<u>4,157.2</u>	<u>4,027.0</u>
Elimination	3.0	1.1
	<u>\$ 4,154.2</u>	<u>\$ 4,025.9</u>
Segmented operating income ⁽¹⁾		
Food retailing	\$ 135.4	\$ 133.3
Investments and other operations		
Crombie REIT ⁽²⁾	4.8	4.4
Genstar ⁽³⁾	7.5	7.9
Wajax Income Fund ⁽⁴⁾	-	3.4
Other, net of corporate expenses	2.7	(0.5)
	<u>15.0</u>	<u>15.2</u>
	<u>\$ 150.4</u>	<u>\$ 148.5</u>
Earnings before capital losses and other items, net of minority interest	\$ 90.1	\$ 86.3
Capital losses and other items, net of tax	0.9	-
Net earnings, net of minority interest	<u>\$ 89.2</u>	<u>\$ 86.3</u>
Basic earnings per share		
Operating earnings, net of minority interest	\$ 1.32	\$ 1.26
Capital losses and other items, net of tax	0.01	-
Net earnings, net of minority interest	<u>\$ 1.31</u>	<u>\$ 1.26</u>
Basic weighted average number of shares outstanding (in millions) ⁽⁵⁾	<u>67.9</u>	<u>68.5</u>
Diluted earnings per share		
Operating earnings, net of minority interest	\$ 1.32	\$ 1.26
Capital losses and other items, net of tax	0.01	-
Net earnings, net of minority interest	<u>\$ 1.31</u>	<u>\$ 1.26</u>
Diluted weighted average number of shares outstanding (in millions) ⁽⁵⁾	<u>68.0</u>	<u>68.5</u>
Dividends per share	<u>\$ 0.225</u>	<u>\$ 0.200</u>

⁽¹⁾ Operating income or EBIT is calculated as earnings before minority interest, capital losses and other items, finance costs (net of finance income) and income tax expense.

⁽²⁾ 45.9 percent equity accounted interest in Crombie REIT (40.4% fully diluted).

⁽³⁾ 40.7 percent equity accounted interest in Genstar Development Partnership, 45.9 percent equity accounted interest in Genstar Development Partnership II, and 42.1 percent equity accounted interests in each of GDC Investments 4, L.P., GDC Investments 5, L.P., and GDC Investments 6, L.P. (collectively referred to as "Genstar").

⁽⁴⁾ The 27.5 percent equity accounted interest in Wajax Income Fund ("Wajax") was sold on October 5, 2010.

⁽⁵⁾ The decrease in the weighted average number of shares outstanding compared to the 13 weeks ended July 31, 2010 is the result of Empire purchasing for cancellation under its NCIB 0.5 million Non-Voting Class A shares during the second quarter of fiscal 2011.

Operating Income

Consolidated operating income in the first quarter was \$150.4 million, an increase of \$1.9 million or 1.3 percent from the \$148.5 million recorded in the first quarter last year.

The contributors to the change in consolidated operating income from the first quarter last year are as follows:

- Sobeys' operating income contribution to Empire in the first quarter totalled \$135.4 million, an increase of \$2.1 million or 1.6 percent from the \$133.3 million recorded in the first quarter last year;
- Genstar contributed operating income to Empire of \$7.5 million compared to \$7.9 million in the first quarter last year;
- Crombie REIT contributed operating income to Empire of \$4.8 million compared to \$4.4 million in the first quarter last year; and
- Other investments and operations contributed operating income to Empire of \$2.7 million compared to \$2.9 million in the first quarter last year.

Finance Costs

Finance costs, net of finance income, in the first quarter amounted to \$16.6 million, a decrease of \$4.4 million from the \$21.0 million recorded in the first quarter last year. The decline in finance costs reflects an increase in finance income and a decrease in interest expense as a result of a reduction in average consolidated funded debt outstanding.

Consolidated funded debt was \$1,100.4 million at the end of the first quarter of fiscal 2012 compared to \$1,261.6 million at the end of the first quarter of fiscal 2011, a \$161.2 million or 12.8 percent decrease. The decline in funded debt is primarily due to the sale of Wajax and the sale of properties to Crombie REIT and third parties where a portion of the proceeds from these sales were used to repay funded debt.

Income Tax Expense

The effective income tax rate for the first quarter (excluding the impact of capital losses and other items) was 27.1 percent versus 28.9 percent in the first quarter last year. The reduction in the effective income tax rate is primarily due to the declining income tax rates across the different jurisdictions in which Empire operates.

Earnings before Capital Losses and Other Items

For the 13 weeks ended August 6, 2011, Empire recorded earnings before capital losses and other items, net of minority interest, of \$90.1 million (\$1.32 per share) compared to \$86.3 million (\$1.26 per share) recorded in the first quarter last year. The \$3.8 million or 4.4 percent increase in earnings before capital losses and other items, net of minority interest, was the result of the \$1.9 million increase in operating income, the \$4.4 million decrease in finance costs (net of finance income) and a \$0.6 million decrease in income taxes (excluding the impact of capital losses and other items), partially offset by a \$3.1 million increase in minority interest.

The following table presents Empire's segmented earnings before capital losses and other items, net of minority interest, by division for the 13 weeks ended August 6, 2011 compared to the 13 weeks ended July 31, 2010.

(\$ in millions)	13 Weeks Ended		(\$) Change	(%) Change
	August 6, 2011	July 31, 2010		
Food retailing	\$ 81.6	\$ 78.8	\$ 2.8	3.6%
Investments and other operations	8.5	7.5	1.0	13.3%
Consolidated	\$ 90.1	\$ 86.3	\$ 3.8	4.4%

Capital Losses and Other Items

The Company recorded capital losses, net of tax, in the first quarter of \$0.9 million compared to nil in the first quarter last year.

Net Earnings

Consolidated net earnings, after minority interest, in the first quarter equalled \$89.2 million compared to \$86.3 million in the first quarter last year. The increase in net earnings of \$2.9 million is attributed to the \$3.8 million increase in earnings before capital losses and other items, net of minority interest, partially offset by the \$0.9 million increase in net capital losses and other items.

The following table presents Empire's segmented net earnings, after minority interest, for the 13 weeks ended August 6, 2011 compared to the 13 weeks ended July 31, 2010.

(\$ in millions)	13 Weeks Ended		(\$) Change	(%) Change
	August 6, 2011	July 31, 2010		
Food retailing	\$ 81.6	\$ 78.8	\$ 2.8	3.6%
Investments and other operations	7.6	7.5	0.1	1.3%
Consolidated	\$ 89.2	\$ 86.3	\$ 2.9	3.4%

The following tables provide financial highlights for Empire's two reportable segments – Food Retailing and Investments and Other Operations.

FOOD RETAILING

(\$ in millions)	13 Weeks Ended		(\$) Change	(%) Change
	August 6, 2011	July 31, 2010		
Sales	\$ 4,106.1	\$ 3,975.3	\$ 130.8	3.3%
EBITDA	217.6	210.4	7.2	3.4%
Operating income	135.4	133.3	2.1	1.6%
Net earnings, net of minority interest	\$ 81.6	\$ 78.8	\$ 2.8	3.6%

Sobeys recorded gross profit of \$992.7 million in the quarter, an increase of \$33.5 million over the first quarter last year. This increase was due to sales growth and continued focus on cost management, partially offset by higher cost of inventories. Gross margin, which is gross profit divided by sales, remained consistent at 24.2 percent compared to the first quarter of fiscal 2011.

Sobeys contributed EBITDA to Empire of \$217.6 million in the first quarter of fiscal 2012, an increase of \$7.2 million or 3.4 percent from the \$210.4 million in the same period last year. EBITDA margin for the first quarter of fiscal 2012 was 5.30 percent versus 5.29 percent in the first quarter last year.

Sobeys' operating income contribution to Empire in the first quarter was \$135.4 million compared to \$133.3 million last year, an increase of \$2.1 million or 1.6 percent. Operating income margin in the first quarter equalled 3.30 percent versus 3.35 in the same quarter last year.

Sobeys will continue to focus on disciplined cost management initiatives, supply chain and retail productivity improvements and migration of best practices to continue to fund investments to drive sales and improve margins over time.

Sobeys contributed net earnings, net of minority interest, to Empire of \$81.6 million in the quarter ended August 6, 2011 versus \$78.8 million in the first quarter of fiscal 2011. The \$2.8 million or 3.6 percent increase in net earnings contribution, net of minority interest, was the result of a \$2.1 million increase in operating income contribution, a \$2.2 million reduction in finance costs (net of finance income) and a \$1.6 million reduction in income tax expense, partially offset by a \$3.1 million increase in minority interest.

INVESTMENTS AND OTHER OPERATIONS

(\$ in millions)	13 Weeks Ended		(\$)
	August 6, 2011	July 31, 2010	Change
Sales	\$ 51.1	\$ 51.7	\$ (0.6)
Operating income			
Crombie REIT ⁽¹⁾	4.8	4.4	0.4
Genstar ⁽²⁾	7.5	7.9	(0.4)
Wajax	-	3.4	(3.4)
Other, net of corporate expenses	2.7	(0.5)	3.2
	15.0	15.2	(0.2)
Earnings before capital losses and other items, net of minority interest	8.5	7.5	1.0
Capital losses and other items	0.9	-	0.9
Net earnings, net of minority interest	\$ 7.6	\$ 7.5	\$ 0.1

⁽¹⁾ 45.9 percent equity accounted interest in Crombie REIT.

⁽²⁾ 40.7 percent equity accounted interest in Genstar Development Partnership, 45.9 percent equity accounted interest in Genstar Development Partnership II, and 42.1 percent equity accounted interests in each of GDC Investments 4, L.P., GDC Investments 5, L.P., and GDC Investments 6, L.P. (collectively referred to as "Genstar").

Investments and other operations (net of corporate expenses) contributed operating income of \$15.0 million compared to \$15.2 million in the first quarter last year. Equity accounted earnings generated from the Company's investment in Genstar amounted to \$7.5 million compared to \$7.9 million in the same quarter last year, a decrease of \$0.4 million primarily as a result of lower margins on residential lot sales. Equity accounted earnings from the Company's investment in Crombie REIT increased \$0.4 million to \$4.8 million in the first quarter of fiscal 2012 compared to \$4.4 million in the first quarter last year, primarily driven by higher property revenues and the resulting higher property net operating income.

As a result of its sale in the second quarter last fiscal year, there were no equity accounted earnings in the first quarter of fiscal 2012 from Wajax compared to \$3.4 million in the first quarter of last year.

Operating income from other operations (net of corporate expenses) increased to \$2.7 million from \$(0.5) million in the first quarter last year. The improvement in operating income from other operations was primarily driven by dilution gains resulting from a change in the Company's ownership interest in Crombie REIT, higher operating income from other commercial operations and higher operating income from Empire Theatres.

Investments and other operations (net of corporate expenses) contributed \$7.6 million to Empire's consolidated first quarter fiscal 2012 net earnings, net of minority interest,

compared to a \$7.5 million net earnings contribution, net of minority interest, in the first quarter last year.

NORMAL COURSE ISSUER BID

The Company announced today that it has filed a notice with the Toronto Stock Exchange (“TSX”) to purchase for cancellation up to 673,755 Non-Voting Class A shares representing approximately two percent of those outstanding, subject to obtaining regulatory approval. The purchases will be made through the facilities of the TSX. Currently 33,687,747 Non-Voting Class A shares are issued and outstanding. The price the Company will pay for any such shares will be the market price at the time of acquisition. Purchases may commence on September 20, 2011, and shall terminate not later than September 19, 2012.

The Board of Directors and senior management of Empire are of the opinion that from time to time the purchase of Non-Voting Class A shares at the prevailing market prices is a worthwhile use of funds and in the best interests of Empire and its shareholders. The Company has purchased 513,579 Non-Voting Class A shares at a weighted average price of \$53.72 in the last 12 months under an NCIB that will expire on September 19, 2011.

The average daily trading volume (the “ADTV”) of the Non-Voting Class A shares was 36,560 on the TSX over the last six completed calendar months. Accordingly, under the policies of the TSX, the Company is entitled to purchase, during any one trading day up to 9,140 Non-Voting Class A shares (being 25 percent of the ADTV of the Non-Voting Class A shares). The Company is entitled to purchase a larger amount of Non-Voting Class A shares per calendar week, subject to the maximum number that may be acquired under the NCIB, if the transaction meets the block purchase exception under the TSX rules.

FORWARD-LOOKING INFORMATION

This discussion contains forward-looking information that reflect management’s current expectations related to matters such as future financial performance and operating results of the Company. Expressions such as “anticipates”, “expects”, “believes”, “estimates”, “could”, “may”, “plans”, “will”, “would”, and other similar expressions or the negative of these terms are generally indicative of forward-looking statements. Forward looking statements contained in this press release include those relating to Sobeys expectations that it will continue to focus on disciplined cost management initiatives, supply chain and retail productivity improvements and migration of best practices to continue to fund investments to drive sales and improve margins over time which could be impacted by the final scope and scale of these initiatives, and any purchases under the NCIB which may be impacted by capital requirements of the Company and market conditions.

By its very nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks and uncertainties which give rise to the possibility that the Company’s expectations or objectives will not prove to be accurate.

These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and risks are discussed in the Company’s materials filed with the Canadian securities

regulatory authorities from time to time, including the Risk Management section of the annual Management Discussion and Analysis.

Readers are urged to consider these and other risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. The forward-looking information in this press release reflects the Company's expectations as of September 14, 2011, and is subject to change after this date. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company other than as required by applicable securities laws.

Non-GAAP Financial Measures

There are measures included in this press release that do not have a standardized meaning under GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. The Company includes these measures because it believes certain investors use these measures as a means of assessing financial performance.

Empire's definition of the non-GAAP terms are as follows:

- Operating earnings is calculated as earnings before capital losses and other items, net of minority interest.
- Operating income or earnings before interest and taxes ("EBIT") is calculated as operating earnings before minority interest, finance charges (net of finance income) and income taxes.
- Operating income margin is operating income divided by sales.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA") is calculated as EBIT plus depreciation and amortization.
- EBITDA margin is EBITDA divided by sales.
- Funded debt is all interest bearing debt, which includes bank loans, bankers' acceptances, long-term debt and debt related to assets held for sale.
- Total capital is calculated as funded debt plus shareholders' equity, net of minority interest.
- Same-store sales are sales from stores in the same locations in both reporting periods.
- Gross profit is calculated as sales less cost of sales.

Conference Call Invitation

The Company will hold an analyst call on Wednesday, September 14, 2011 beginning at 1:30 p.m. Eastern Daylight Time during which senior management will discuss the Company's financial results for the first quarter ended August 6, 2011. To join this conference call dial 1-888-231-8191 outside of the Toronto area or 647-427-7450 from within the Toronto area. You may also listen to a live audiocast of the conference call by visiting the Company's website located at www.empireco.ca. Replay will be available by dialling 1-855-859-2056 and entering passcode 95893600 until midnight September 21, 2011, or on the Company's website for 90 days following the conference call.

Unaudited Consolidated Financial Statements

The Company's unaudited consolidated financial statements for the first quarter of fiscal 2012 ended August 6, 2011 are available at the following link:

Q1 Fiscal 2012 Unaudited Consolidated Financial Statements

This information can also be accessed through the Investor Centre section of the Company's website at www.empireco.ca and has been filed on SEDAR at www.sedar.com.

About Empire

Empire Company Limited (TSX: EMP.A) is a Canadian company headquartered in Stellarton, Nova Scotia. Empire's core businesses include food retailing and related real estate. With over \$16 billion in annual sales and approximately \$6.5 billion in assets, Empire and its related companies directly employ approximately 49,000 people.

Additional financial information relating to Empire, including the Company's Annual Information Form, can be found on the Company's website at www.empireco.ca or on SEDAR at www.sedar.com.

For further information, please contact:

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