



VALUE

QUARTERLY REPORT
TO SHAREHOLDERS

SIX MONTHS ENDED OCTOBER 31, 2001

EMPIRE
COMPANY LIMITED

**QUARTERLY REPORT
SIX MONTHS ENDED OCTOBER 31, 2001**

**EMPIRE COMPANY ANNOUNCES RECORD QUARTERLY OPERATING
EARNINGS PER SHARE OF \$0.95 - UP 51% OVER THE PRIOR YEAR**

Empire Company Limited (TSE: EMP.A) announces record earnings before net capital gains and other items (after goodwill charges) of \$31.4 million or \$0.95 per share for its second quarter ended October 31, 2001. This performance represents strong growth over the \$20.7 million or \$0.63 per share recorded in the same period last year, a 52% increase in dollar terms and a 51% increase on a per share basis. These results build on the record quarterly earnings performance reported in the first quarter.

Empire is pleased to report that all operating companies improved operating earnings over the second quarter last year and each contributed to this record performance.

Second quarter revenue of \$3.04 billion versus \$2.89 billion last year, represented a 5.2% increase. The food division reported revenue of \$2.99 billion, an increase of 4.8% over the second quarter last year. Real Estate and Other Operations enjoyed strong growth of 22% and 21%, respectively, over the second quarter last year.

Operating income totaled \$109.1 million, an increase of \$18.1 million or 20% compared to quarter two of the previous fiscal year. All operating companies recorded improvement in EBITDA margin over last year.

Net capital gains and other items of \$10.9 million or \$0.33 per share in the second quarter represents a \$10.0 million increase over the second quarter last year. Net capital gains generated in the second quarter were the result of the sale of 279,590 shares of Delhaize Group along with the net gains on the sale of other investments. Empire Company continues to hold 2,371,164 shares of Delhaize Group.

Net earnings, including net capital gains and other items totaled \$42.3 million or \$1.28 per share versus \$21.6 million or \$0.66 in the second quarter of last year, an improvement of 96% in dollar terms and 94% on a per share basis.

Empire's financial position continues to strengthen. Net debt to capital at the end of the second quarter of 38.5% compares to 40.8% at April 30, 2001. Coincident with the announcement on December 5, 2001 by Empire's subsidiary, Sobeys Inc., to divest SERCA Foodservice operations and utilize expected cash proceeds to primarily pay down debt, Dominion Bond Rating Service placed Empire's debt ratings under review with positive implications.

Operating cash flow before net change in other current items, totaled \$99.9 million, up \$32.6 million or 48% from the \$67.3 million reported in the second quarter last year. This increase is largely the consequence of the increase in net earnings over last year.

Paul D. Sobey, President and CEO, commented: "We are pleased with the record operating earnings performance in the quarter both on a consolidated basis and for each of our operating companies. Our trailing earnings per share before net capital gains and other items now equals \$3.13 per share versus \$2.54 per share at the end of the second quarter last year, an increase of 23%. Empire is well positioned to continue its solid earnings momentum through the second half of the fiscal year."

The Board of Directors declared a quarterly dividend of 11.25 cents per share on both the Class A and Class B common shares, which will be payable on January 31, 2002 to shareholders of record on January 15, 2002. As well, the Board declared regular dividends on the Company's outstanding preferred shares.

(\$ in millions, except per share data)	Three Months Ended		Six Months Ended	
	October 31		October 31	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Segmented Revenue (net of elimination entries)				
Food Division	\$ 2,991.3	\$ 2,853.1	\$ 6,028.2	\$ 5,709.1
Real Estate Division	34.3	28.1	65.9	55.8
Other Operations	12.7	10.5	26.0	22.8
Operating Cash Flow	\$ 99.9	\$ 67.3	\$ 219.2	\$ 138.4
Operating Income	109.1	91.0	219.8	199.3
Earnings before goodwill charges, net capital gains and other items	34.3	23.6	67.5	52.5
Earnings before net capital gains and other items	31.4	20.7	61.7	46.6
Net capital gains and other items	10.9	0.9	29.2	487.3
Net Earnings	42.3	21.6	90.9	533.9
<u>Per Share</u>				
Operating Cash Flow	\$ 3.04	\$ 2.05	\$ 6.67	\$ 4.22
Earnings before goodwill charges, net capital gains and other items	1.04	0.72	2.05	1.58
Earnings before net capital gains and other items	0.95	0.63	1.87	1.40
Net capital gains and other items	0.33	0.03	0.89	14.86
Net Earnings	1.28	0.66	2.76	16.26
Weighted Average Common Shares Outstanding	32.8	32.8	32.8	32.8
Common Shares Outstanding	32.8	32.8	32.8	32.8

Empire Company Limited is a diversified Canadian company headquartered in Stellarton, Nova Scotia. Empire's key businesses are food distribution through majority ownership of Sobeys Inc (TSE Symbol: SBY), real estate through wholly owned companies managing 12.0 million square feet of leasable space, and corporate investment activities. With over \$4.3 billion in assets, Empire employs over 34,000 people directly and through subsidiaries.

The Company provided additional comments concerning its second quarter results on a conference call held on Wednesday, December 12, 2001 at 2:00 pm EST. A replay of this conference call is available on the Empire website (www.empireco.ca) or through the dial in number 1-416-626-4100 (reference number 20047322).

This document contains forward-looking information about the future performance of the Company. The statements are based on management's assumptions and beliefs in light of the information currently available to it. We assume no obligation to update the information herein. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. Additional financial information has been filed electronically with various securities commissions in Canada and through SEDAR.



Donald Sobey
Chairman



Paul D. Sobey
President & Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the interim consolidated financial condition and results of operations of Empire Company Limited ("Empire" or the "Company") for the three-month and six-month periods ended October 31, 2001. This discussion may contain forward-looking statements and should be read in conjunction with the Company's discussion regarding forward-looking statements found in this quarterly report. This document should also be read in conjunction with: the unaudited Interim Consolidated Financial Statements of Empire Company Limited and notes thereto for the three-month and six-month periods ended October 31, 2001; Management's Discussion and Analysis included in the annual report of the Company for the year ended April 30, 2001 and in the Quarterly Report for the period ended July 31, 2001; and the Consolidated Financial Statements and notes thereto for the year ended April 30, 2001, as well as the unaudited Interim Consolidated Financial Statements and notes thereto for the period ending July 31, 2001.

OPERATING OVERVIEW & PERFORMANCE BY SEGMENT

Food Distribution

Empire's food distribution business is carried on through its 62% ownership in Sobeys Inc. ("Sobeys"). Sobeys recorded sales in the second quarter of fiscal 2002 of \$2.99 billion, an increase of 4.8% or \$138 million over the same quarter last year. Sales from retail food distribution operations increased 6.3% while sales from foodservice operations declined 1.0% against the second quarter last year. The improved retail food distribution performance is primarily attributable to same store sales growth of 4.2% (including food price inflation of 2.2%) and the effect of the continued strong capital spending resulting in additional store selling space. All of the regions contributed to the strong performance from Sobeys. Foodservice sales declined as a result of the negative impact of the September 11 terrorist attacks on consumer spending from hospitality customers in the foodservice industry.

Operating income or earnings before interest and tax (EBIT) equaled \$80.2 million for the quarter, a 19% or \$12.8 million increase over last year. This increase was a result of growth in operating income of 23% from retail food distribution, partially offset by a 12% decrease in operating income from foodservice operations. The decrease in foodservice operating income is primarily a result of the tragic events of September 11 (lower sales volumes as a result of decreased activity in the hospitality industry). Improved performance in retail food distribution is a result of increased sales and cost reduction activities.

There are three key areas in margin improvement, national merchandising, distribution and logistics and selling, general and administration ("SG&A") streamlining. At the end of the second quarter 60% of the original national merchandising initiative's goal (which includes initiatives for margin expansion through reduced product costing and growth in retail brands) of 16 cents of annualized EPS contribution has been achieved. Year to date, 6 cents of annualized EPS contribution from distribution and logistics initiatives (which includes initiatives to reduce costs in moving inventory from our distribution centres to customers while improving service levels) has been realized, representing 60% of the original 12 month target. Sobeys has secured \$6.5 million in annual SG&A savings (through material cost reductions in merchandising, IT, finance, accounting and telecom), equivalent to 5 cents per share on an annualized basis. It is expected that this amount will reach \$10 million by the end of the fiscal year.

Operating income for first six months of the current fiscal year equaled \$160.7 million, an increase of 9.8% against the \$146.4 million recorded in the same period last year.

The food division's contribution to Empire's consolidated net earnings equaled \$21.5 million (51% of Empire's total) for the quarter and totals \$42.0 million (46% of Empire's total) for the first half of fiscal 2002. This represents an increase of \$7.3 million or 51% over Q2 last year and an increase of \$10.9 million or 35% over the first six months of the prior fiscal year. This growth in second quarter net earnings is primarily the result of improved operating performance as mentioned, a decrease in interest expense of \$5.2 million (due to a combination of lowering borrowing levels and a decline in borrowing rates) and a reduction in the effective income tax rate (before goodwill) from 42.7% to 40.3% from the same period last year.

Subsequent to the end of the second quarter, Sobeys Inc. announced on December 5, 2001 that it had entered into a definitive agreement to sell substantially all of the assets of its SERCA foodservice operations to SYSCO Corporation, the largest foodservice marketing and distribution company in North America. Under this agreement, SYSCO will pay \$440 million (CAD) in cash on closing and will assume the liabilities associated with the purchased assets. Sobeys and SYSCO also announced an agreement to form a strategic alliance, which will see the companies work together to optimize the sourcing and procurement of produce and private label products, increase efficiency of their respective logistics and distribution systems and develop new products to satisfy the changing requirements of their respective customers. The transaction, which is expected to be completed early in calendar year 2002, is subject to SYSCO's due diligence and is also conditional upon the receipt of federal regulatory approvals, including consent from the Competition Bureau.

Empire fully supports this transaction as it will enhance the ability of Sobeys' management to focus their full energy, resources and capital on the continued growth and development of its core retail food distribution business. As well, through the strategic alliance with SYSCO Corporation, Sobeys expects to have enhanced capacity to capitalize on opportunities to improve operational efficiency and product offerings.

Real Estate

Empire's real estate operations are primarily conducted through wholly owned Atlantic Shopping Centre and Sobey Leased Properties Limited, and a 40% ownership position in Genstar Development Partnership ("Genstar"). Operating income in the second quarter of fiscal 2002 increased \$5.7 million or 29% over the same quarter last year. The strong real estate operating performance was a direct result of continued strong contribution from Genstar and improved operating margins from core real estate operations. For the six months ended October 31, 2001, operating income increased 27% or \$10.0 million over the prior year. Real estate operations have contributed 23% of Empire's second quarter consolidated operating income and 21% year to date.

Investments & Other Operations

The third component of Empire's business is its investments, consisting of an investment portfolio of short and long-term equity investments and investments in other operations. At October 31, 2001, Empire's total investment portfolio carried a market value of \$585.4 million on a carrying value of \$542.4 million, resulting in an unrealized gain of \$43 million. For the first six months of fiscal 2002, the total return on Empire's portfolio was 7.5% versus a loss of 6.6% for the TSE 300 and a loss of 8.8% for the S&P 500 over a comparable time period. Empire's investment returns have primarily been generated as a result of share price appreciation in the Delhaize Group ("Delhaize") investment as well as in other liquid common equities.

Investment income of \$3.8 million for the quarter was below last year's result of \$5.5 million. This decline of \$1.7 million is attributable to a decrease of \$0.9 million in interest and dividend income and a decrease in equity accounted earnings of \$0.8 million as result of weaker operating earnings generated by Empire's only equity accounted investment, Wajax. For the first six months of fiscal 2002 investment income was below that of last year by \$5.4 million. This variance is primarily the result of a \$9.8 million of equity accounted earnings from Hannaford Bros. Co. in the first quarter of the prior fiscal year and a decrease of \$1.0 million in year to date equity accounted earnings from the Wajax investment; partially offset by increased interest and dividend income from Empire's investment portfolio against the first six months of the previous fiscal year.

Other operations' contribution to Empire's operating income increased by \$0.8 million from quarter two of the previous fiscal year. This increase is primarily attributable to strong revenue and margin growth and effective expense control at wholly owned Empire Theatres Limited. Operating income for the first six months of fiscal 2002 improved \$1.3 million over the same period in the prior fiscal year.

At October 31, 2001, Empire owned 2.37 million common shares of Delhaize with a market value of \$206.4 million. At the end of fiscal 2001, Empire held 3.32 million shares of Delhaize with a market value of \$271.0 million. The sale of 0.95 million common shares of Delhaize since the beginning of the fiscal year has generated a net capital gain of \$29.3 million.

Net capital gains generated from Investments & Other Operations reached \$10.7 million in quarter two of fiscal 2002, an increase of \$10.8 million against the net capital loss of \$0.1 million recorded in the second quarter last year. The sale of 0.3 million common shares of Delhaize common shares in the second quarter accounted for \$8.7 million or 81% of total net capital gains. For the six-month period ended October 31, 2001, net capital gains from Investments and Other Operations totaled \$28.4 million, an increase of \$28.5 million against the net capital loss of \$0.1 million recorded in the same period last year.

CONSOLIDATED FINANCIAL POSITION

Assets

Total assets at the end of quarter two of fiscal 2002 were \$4,316 million, compared to \$4,254 million at the end of the previous fiscal year. The increase from the previous year end is primarily attributable to a \$89 million increase in the book value of property and equipment, a direct result of Empire's continued focus of re-investing in its core real estate and food distribution assets.

Net Asset Value

At October 31, 2001 management calculates Empire's consolidated net asset value ("NAV") at \$1,770 million or \$53.90 per share, compared to \$1,603 million at the end of the prior fiscal year. On a per share basis, NAV has increased \$2.88 from July 31, 2001 and \$5.03 from April 30, 2001. The increase in NAV over the previous fiscal year end is primarily attributable to an \$85 million increase in the market value of the Sobeys Inc. shares held by Empire and a \$72 million increase in the net asset value of Empire's real estate operations. The increase in the value of real estate is primarily the result of stronger operating performance, as previously mentioned.

CAPITAL RESOURCES AND LIQUIDITY

Empire's net debt to capital ratio was 38.5% at October 31, 2001 compared to 40.8% at April 30, 2001. The 2.3 percentage point improvement since year end is the result of a \$35 million reduction in long term debt (including long term debt due within one year) and a \$73 million increase in retained earnings since April 30, 2001.

Interest coverage (operating income divided by interest expenses) improved to 3.92x at October 31, 2001 from 2.63x at April 30, 2001 and 2.71x at October 31, 2000. The relative improvement is attributable to a 20% increase in operating income in the second quarter this year over last year and a decrease in interest expense of \$5.8 million from the second quarter last year. The reduction in interest expense is the result of lower borrowing requirements and lower interest rates.

In the second quarter of the current fiscal year, on balance sheet capital expenditures of \$110.5 million represented an increase of \$21.7 million over the second quarter last year. This increase represented the company's continuing commitment to re-investment in its core real estate and food businesses.

Short-term liquidity remains strong as a result of internally generated cash flow, net cash on hand, unutilized bank credit facilities and short-term investments. On a non-consolidated basis, Empire maintains authorized bank lines for operating, general and corporate purposes of \$325 million, of which 32% was utilized at quarter end. The company's authorized bank credit facilities exceeded borrowings, on a consolidated basis, by \$560 million at October 31, 2001.

Operating cash flow before net changes in other current items for the quarter totaled \$99.9 million, an increase of \$32.6 million or 48% from the \$67.3 reported for the same quarter last year. The strong improvement is primarily attributable to improved net earnings of \$20.7 million and an increase in the future income tax provision in the second quarter this year of \$6.5 million. Operating cash flow for the six-month period ended October 31, 2001 was \$219.2 million, an increase of 58% over the same period last year. The improvement year to date is a result of an increase in the future tax provision coupled with stronger operating earnings.

RISK AND RISK MANAGEMENT

Risk and uncertainties related to economic and industry factors and Empire's management of this risk, as discussed in detail in the "Management's Discussion and Analysis" section of our 2001 annual report, remain substantially unchanged.

OUTLOOK

As a result of second quarter and fiscal year to date performance, Empire's trailing earnings per share (or earnings per share from the last four quarters including the quarter ending October 31, 2001) before net capital gains and other items equals \$3.13 per share versus \$2.54 per share last year, a 23% increase. Empire remains well positioned to continue its earnings growth through the second half of the fiscal year.

Empire projects stronger financial performance in fiscal 2002, primarily as a result of continued growth in contribution from each division. Management has assumed the continuation of the current competitive environment in our projects and has factored in conservative cost of capital assumptions. The Company is committed to growing value in each of our divisions and, thereby, growing value in Empire Company Limited on behalf of all shareholders.

EMPIRE COMPANY LIMITED
CONSOLIDATED BALANCE SHEET

(Unaudited, in millions)

	October 31 2001	April 30 2001	October 31 2000
ASSETS			
Current			
Cash	\$ 62.7	\$ 83.5	\$ 35.8
Receivables	382.2	428.9	319.7
Inventories	572.9	551.8	571.0
Prepays	53.8	48.0	66.9
Investments, at cost (quoted market value \$551.9 April 30,2001 \$552.3; October 31,2000 \$639.7)	478.8	473.2	606.7
	1,550.4	1,585.4	1,600.1
Investments, at equity (quoted market value \$33.5 April 30,2001 \$41.0; October 31,2000 \$32.4)	63.6	61.4	58.7
Current assets and marketable investments	1,614.0	1,646.8	1,658.8
Property and equipment	1,743.1	1,654.3	1,673.4
Other assets (Note 4)	959.4	953.2	937.3
	\$ 4,316.5	\$ 4,254.3	\$ 4,269.5
LIABILITIES			
Current			
Bank loans and notes payable	\$ 216.4	\$ 229.2	\$ 350.5
Payables and accruals	1,119.2	1,130.3	1,071.4
Income taxes payable	18.8	33.8	29.4
Future income taxes	16.0	16.4	61.7
Long term debt due within one year	87.5	89.0	73.1
	1,457.9	1,498.7	1,586.1
Long term debt	1,075.2	1,108.3	1,144.9
Deferred revenue	12.8	14.1	15.2
Employee future benefit obligation	61.6	60.8	59.1
Minority interest	434.3	406.9	321.9
Future income taxes	82.3	50.5	59.6
	3,124.1	3,139.3	3,186.8
SHAREHOLDERS' EQUITY			
Capital stock	194.7	193.4	199.6
Retained earnings	996.0	923.1	883.3
Foreign currency translation	1.7	(1.5)	(0.2)
	1,192.4	1,115.0	1,082.7
	\$ 4,316.5	\$ 4,254.3	\$ 4,269.5

See accompanying notes to the unaudited interim period consolidated financial statements.

EMPIRE COMPANY LIMITED
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
SIX MONTHS ENDED OCTOBER 31, 2001
(Unaudited, in millions)

	<u>2001</u>	<u>2000</u>
Balance, beginning of period, as previously reported	\$ 923.1	\$ 360.3
Adjustment relating to adoption of accounting policy changes		<u>(4.9)</u>
Balance, beginning of period, as restated	923.1	355.4
Net earnings	<u>90.9</u>	<u>533.9</u>
	<u>1,014.0</u>	<u>889.3</u>
Refundable taxes		
Paid	11.7	
Recovered	<u>(0.7)</u>	
	<u>11.0</u>	
Dividends paid		
Preferred shares	0.3	0.7
Common shares	<u>6.7</u>	<u>5.3</u>
	<u>7.0</u>	<u>6.0</u>
Balance, end of period	<u>\$ 996.0</u>	<u>\$ 883.3</u>

See accompanying notes to the unaudited interim period consolidated financial statements.

EMPIRE COMPANY LIMITED
CONSOLIDATED STATEMENT OF EARNINGS
SIX MONTHS ENDED OCTOBER 31, 2001
(Unaudited, in millions, except per share amounts)

	Current Quarter		Year to Date	
	2001	2000	2001	2000
Revenue	\$ 3,038.3	\$ 2,891.7	\$ 6,120.1	\$ 5,787.7
Cost of sales, selling and administrative expenses	2,903.6	2,777.8	5,852.3	5,546.6
	134.7	113.9	267.8	241.1
Depreciation	29.4	28.4	59.5	58.7
	105.3	85.5	208.3	182.4
Investment income (Note 5)	3.8	5.5	11.5	16.9
Operating income	109.1	91.0	219.8	199.3
Interest expense				
Long term debt	26.1	28.2	54.3	58.9
Short term debt	1.7	5.4	4.0	18.6
	27.8	33.6	58.3	77.5
	81.3	57.4	161.5	121.8
Capital gains and other items (Note 6)	11.0	1.6	29.0	604.3
	92.3	59.0	190.5	726.1
Income taxes				
Current income taxes	26.8	19.9	49.2	80.3
Future income taxes	4.9	3.8	14.5	82.4
	31.7	23.7	63.7	162.7
	60.6	35.3	126.8	563.4
Minority interest	15.4	10.8	30.1	23.6
Earnings before goodwill amortization	45.2	24.5	96.7	539.8
Goodwill amortization (Note 7)	2.9	2.9	5.8	5.9
Net earnings	<u>\$ 42.3</u>	<u>\$ 21.6</u>	<u>\$ 90.9</u>	<u>\$ 533.9</u>
Earnings per share				
Net earnings per share (Note 3)	<u>\$ 1.28</u>	<u>\$ 0.66</u>	<u>\$ 2.76</u>	<u>\$ 16.26</u>
Diluted earnings per share	<u>\$ 1.28</u>	<u>\$ 0.66</u>	<u>\$ 2.76</u>	<u>\$ 16.26</u>

See accompanying notes to the unaudited interim period consolidated financial statements.

EMPIRE COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
SIX MONTHS ENDED OCTOBER 31, 2001
(Unaudited, in millions, except per share amounts)

	<u>Current Quarter</u>		<u>Year to Date</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Cash provided by (used for) operations				
Net earnings	\$ 42.3	\$ 21.6	\$ 90.9	\$ 533.9
Items not affecting cash (Note 8)	57.8	45.9	128.6	(394.8)
Payment of preferred dividends	(0.2)	(0.2)	(0.3)	(0.7)
Operating cash flow	99.9	67.3	219.2	138.4
Net change in other current items	48.8	(277.4)	(31.3)	(187.1)
	<u>148.7</u>	<u>(210.1)</u>	<u>187.9</u>	<u>(48.7)</u>
Cash provided by (used for) financing				
Net increase (decrease) in bank loans	3.9	(95.0)	(12.8)	(238.6)
Net increase (decrease) in construction loans	(6.8)	0.6	(9.4)	(0.2)
Proceeds from issue of long term debt	4.4	105.4	17.6	531.5
Revolving securitization of accounts receivable			25.0	210.0
Repayment of long term debt	(23.9)	(31.7)	(42.8)	(729.9)
Increase in minority interest	0.1		4.6	2.5
Redemption of preferred shares				(13.6)
Issue of Non-Voting Class A shares, net of costs		0.7	0.1	0.9
Payment of common dividends	(3.7)	(3.0)	(6.7)	(5.3)
Refundable taxes	(11.0)		(11.0)	
	<u>(37.0)</u>	<u>(23.0)</u>	<u>(35.4)</u>	<u>(242.7)</u>
Total cash available (used)	<u>111.7</u>	<u>(233.1)</u>	<u>152.5</u>	<u>(291.4)</u>
Cash used for (provided by) investments				
Net increase (decrease) in short term investments	27.6	(267.4)	5.6	305.5
Net proceeds from sale of investment in Hannaford Bros. Co.				(667.8)
Purchase of shares in subsidiary, Sobeys Inc.		10.9		10.9
Purchase of property, equipment and other assets	110.5	88.8	186.0	115.3
Proceeds from sale of property	(8.2)	(37.7)	(14.0)	(37.7)
Increase in employee future benefit obligation	(0.4)		(0.8)	
Decrease (increase) in deferred foreign currency translation gains	(0.8)	0.7	(3.5)	0.8
	<u>128.7</u>	<u>(204.7)</u>	<u>173.3</u>	<u>(273.0)</u>
Total cash used (available)	<u>128.7</u>	<u>(204.7)</u>	<u>173.3</u>	<u>(273.0)</u>
Decrease in cash	(17.0)	(28.4)	(20.8)	(18.4)
Cash, beginning of period	79.7	64.2	83.5	54.2
Cash, end of period	<u>\$ 62.7</u>	<u>\$ 35.8</u>	<u>\$ 62.7</u>	<u>\$ 35.8</u>
Operating cash flow per share (Note 3)	<u>\$ 3.04</u>	<u>\$ 2.05</u>	<u>\$ 6.67</u>	<u>\$ 4.22</u>

See accompanying notes to the unaudited interim period consolidated financial statements

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31,2001

(Unaudited, in millions, except per share amounts)

1. Significant Accounting Policies

Interim financial statements

Effective during the first quarter of 2002, the Company adopted the Canadian Institute of Chartered Accountants new handbook section 1751 relating to interim financial statements. The accounting policies used in the preparation of these interim consolidated financial statements conform with those used in the Company's annual consolidated financial statements. These interim consolidated financial statements do not include all of the disclosures included in the Company's annual consolidated financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended April 30,2001, as set out in the Annual Report 2001.

Earnings per share

The Canadian Institute of Chartered Accountants handbook section 3500 requires that basic and diluted earnings per share be presented on the face of the earnings statement. The Company is also required to use the treasury stock method to calculate the dilutive affect of stock options.

2. Sale of Hannaford Bros. Co.

On July 28,2000 the company sold the Hannaford Bros. Co. investment. Details of the sale are as follows:

Proceeds

Cash	\$ 745.0
11,915,463 shares Delhaize America Inc.,	<u>287.3</u>
	1,032.3
Expenses and foreign currency translation losses	<u>39.6</u>
	992.7
Book value net of foreign currency translation gains	<u>268.5</u>
Gain before income taxes	724.2
Income taxes	<u>150.7</u>
Gain	<u><u>\$ 573.5</u></u>

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2001

(Unaudited, in millions, except per share amounts)

3. Net Earnings and Operating Cash Flow Per Share

Net earnings and operating cash flow per share amounts are calculated on the weighted average number of shares outstanding (2001-32,835,000 shares; 2000-32,800,000 shares) after providing for preference share dividends accrued to the balance sheet date. Diluted earnings per share have been calculated on the assumption that all the outstanding stock options were exercised at the beginning of the period.

Net earnings applicable to common shares is comprised of the following:

	Current Quarter		Year to Date	
	2001	2000	2001	2000
Earnings before certain items	\$ 34.3	\$ 23.6	\$ 67.5	\$ 52.5
Preferred share dividends	0.2	0.2	0.3	0.7
	<u>34.1</u>	<u>23.4</u>	<u>67.2</u>	<u>51.8</u>
Goodwill amortization	2.9	2.9	5.8	5.9
	<u>31.2</u>	<u>20.5</u>	<u>61.4</u>	<u>45.9</u>
Capital gains and other items	10.9	0.9	29.2	487.3
Net earnings applicable to common shares	<u>\$ 42.1</u>	<u>\$ 21.4</u>	<u>\$ 90.6</u>	<u>\$ 533.2</u>

Net earnings per share is comprised of the following:

Earnings before certain items, less preferred share dividends	\$ 1.04	\$ 0.72	\$ 2.05	\$ 1.58
Goodwill amortization	(0.09)	(0.09)	(0.18)	(0.18)
Earnings before capital gains and other items	<u>0.95</u>	<u>0.63</u>	<u>1.87</u>	<u>1.40</u>
Capital gains and other items	0.33	0.03	0.89	14.86
Net earnings per share	<u>\$ 1.28</u>	<u>\$ 0.66</u>	<u>\$ 2.76</u>	<u>\$ 16.26</u>

4. Other Assets

	October 31 2001	April 30 2001	October 31 2000
Mortgages and loans	\$ 121.5	\$ 115.4	\$ 115.8
Goodwill (less accumulated amortization of \$60.2; April 30, 2001 \$50.2; October 31, 2000 \$40.2)	717.1	723.5	731.1
Deferred charges	<u>120.8</u>	<u>114.3</u>	<u>90.4</u>
	<u>\$ 959.4</u>	<u>\$ 953.2</u>	<u>\$ 937.3</u>

5. Investment Income

	Current Quarter		Year to Date	
	2001	2000	2001	2000
Dividend and interest income	\$ 3.0	\$ 3.9	\$ 9.3	\$ 3.9
Share of income of companies accounted for by the equity method	0.8	1.6	2.2	13.0
	<u>\$ 3.8</u>	<u>\$ 5.5</u>	<u>\$ 11.5</u>	<u>\$ 16.9</u>

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2001

(Unaudited, in millions, except per share amounts)

6. Capital Gains and Other Items

	Current Quarter		Year to Date	
	2001	2000	2001	2000
Gain on sale of investments	\$ 11.8	\$	\$ 30.3	\$
Foreign currency translation loss	(1.2)		(1.2)	
Gain (loss) on disposal of properties	0.4	1.6	(0.1)	1.6
Gain on sale of investment in Hannaford Bros.Co.				724.2
Reduction of book value of investments				(47.8)
Reduction of book value of real estate assets				(73.7)
	<u>\$ 11.0</u>	<u>\$ 1.6</u>	<u>\$ 29.0</u>	<u>\$ 604.3</u>

As a result of a strategic review completed during the first quarter of the previous year, including a review of the carrying value of investments and real estate assets, the company determined that a write-down was appropriate. Accordingly, the carrying value of Wajax was reduced by \$47.8 (\$41.2 after tax) and the carrying value of certain real estate properties was reduced by \$73.7 (\$45.9 after tax).

7. Goodwill Amortization

	Current Quarter		Year to Date	
	2001	2000	2001	2000
Amortization of goodwill	\$ 5.0	\$ 4.9	\$ 10.0	\$ 10.1
Income taxes	(0.3)	(0.2)	(0.5)	(0.4)
Minority interest	(1.8)	(1.8)	(3.7)	(3.8)
	<u>\$ 2.9</u>	<u>\$ 2.9</u>	<u>\$ 5.8</u>	<u>\$ 5.9</u>

8. Supplementary Cash Flow Information

	Current Quarter		Year to Date	
	2001	2000	2001	2000
a.) Items not affecting cash				
Depreciation	\$ 29.4	\$ 28.4	\$ 59.5	\$ 58.7
Goodwill amortization	5.0	4.9	10.0	10.1
Future income taxes	10.4	3.9	31.4	3.7
Amortization of deferred items	2.7	2.7	7.4	12.6
Equity in earnings of other companies, net of dividends received	(0.8)	(1.6)	(2.2)	(10.6)
Minority interest	11.1	7.6	22.5	17.1
Gain on sale of investment in Hannaford Bros.Co., net of income taxes of \$150.7				(573.5)
Reduction of book value of investments, net of income taxes of \$6.6				41.2
Reduction of book value of real estate assets, net of income taxes of \$27.8				45.9
	<u>\$ 57.8</u>	<u>\$ 45.9</u>	<u>\$ 128.6</u>	<u>\$ (394.8)</u>
b.) Other cash flow information				
Interest paid	\$ 34.3	\$ 36.3	\$ 59.1	\$ 77.3
Income taxes paid	\$ 24.3	\$ 26.9	\$ 69.7	\$ 40.0

EMPIRE COMPANY LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2001

(Unaudited, in millions, except per share amounts)

9. Segmented Information

	Current Quarter		Year to Date	
	2001	2000	2001	2000
Revenue				
Food				
Food distribution	\$ 2,427.4	\$ 2,283.7	\$ 4,871.8	\$ 4,582.3
Foodservice	563.9	569.4	1,156.4	1,126.8
	<u>2,991.3</u>	<u>2,853.1</u>	<u>6,028.2</u>	<u>5,709.1</u>
Real estate				
Outside	34.3	28.1	65.9	55.8
Inter-segment	11.7	11.2	22.9	22.8
	<u>46.0</u>	<u>39.3</u>	<u>88.8</u>	<u>78.6</u>
Other operations	12.7	10.5	26.0	22.8
	<u>3,050.0</u>	<u>2,902.9</u>	<u>6,143.0</u>	<u>5,810.5</u>
Elimination	(11.7)	(11.2)	(22.9)	(22.8)
	<u>\$ 3,038.3</u>	<u>\$ 2,891.7</u>	<u>\$ 6,120.1</u>	<u>\$ 5,787.7</u>
Operating income				
Food				
Food distribution	\$ 72.6	\$ 58.8	\$ 143.2	\$ 128.9
Foodservice	7.6	8.6	17.5	17.5
	<u>80.2</u>	<u>67.4</u>	<u>160.7</u>	<u>146.4</u>
Real estate	25.0	19.3	47.3	37.3
Other operations	1.8	1.0	4.0	2.7
Investment income	3.8	5.5	11.5	16.9
Corporate expenses	(1.7)	(2.2)	(3.7)	(4.0)
	<u>\$ 109.1</u>	<u>\$ 91.0</u>	<u>\$ 219.8</u>	<u>\$ 199.3</u>

10. Comparative Figures

Comparative information has been reclassified where necessary to reflect the current period's presentation.

11. Subsequent Event

On December 5, 2001 the Company's subsidiary, Sobey's Inc., entered into a definitive agreement to sell substantially all of the net assets of its SERCA foodservice operations. Under this agreement Sobey's Inc. will receive \$440 million payable in cash on closing. The transaction is expected to be completed early in calendar year 2002 and is subject to the purchaser's due diligence and is also conditional upon the receipt of federal regulatory approvals, including consent from the Competition Bureau. The after tax proceeds will be used to reduce long term debt, retire off balance sheet financing, acquire assets currently being leased, and future capital expenditures.

INVESTOR INFORMATION

EMPIRE COMPANY LIMITED

Head Office
115 King Street
Stellarton, Nova Scotia
B0K 1S0
Telephone: (902) 755-4440
Fax: (902) 755-6477
Internet: www.empireco.ca

INVESTOR RELATIONS

For additional information please write to the company, c/o Stewart H. Mahoney, CFA Vice President, Treasury and Investor Relations
E-mail: investor.relations@empireco.ca

STOCK EXCHANGE LISTINGS

The Toronto Stock Exchange

STOCK SYMBOLS

Non-voting Class A shares - EMP.A
Preferred shares:
Series 2 - EMP.PR.B

AVERAGE DAILY TRADING VOLUME (TSE)

25,280

COMMON DIVIDEND RECORD AND PAYMENT

DATES FOR FISCAL 2002*

Record Date	Payment Date
Oct. 15th, 2001	Oct. 31st, 2001
Jan. 15th, 2002	Jan. 31st, 2002
Apr. 15th, 2002	Apr. 30th, 2002
July 15th, 2002	July 31st, 2002

*subject to approval by Board of Directors

OUTSTANDING SHARES

As of December 7th, 2001

Non-Voting Class A common	15,389,644
Options exercisable with Class A common shares	79,403
Class B common, voting	17,448,728

TRANSFER AGENTS

Computershare Trust Company of Canada
Telephone: (800) 564-6253
Non-voting Class A shares

CIBC Mellon Trust Company
Telephone: (902) 420-3821
Series 2 Preferred shares

MULTIPLE MAILINGS

If you have more than one account, you may receive a separate annual report for each. If this occurs, please contact Computershare at (902) 420-3557 to eliminate the multiple mailings.

INVESTOR INQUIRES

Communications regarding investor records including changes of address or ownership, should be directed to the Company's transfer agent, Computershare Trust Company of Canada, at the above contact information.

Shareholders, analysts and investors should direct their financial inquiries or requests to Stewart H. Mahoney.

EXAMPLAIRE FRANÇAIS

Vous pouvez obtenir un exemplaire français de ce rapport annuel en écrivant à:
Empire Company Limited
Investor Relations
115 King Street
Stellarton, Nova Scotia
B0K 1S0