EMPIRE
COMPANY LIMITED

FOR IMMEDIATE RELEASE
September 14, 2017

Empire Company Reports Improved Fiscal 2018 First Quarter Results

First Quarter Summary

- Same-store sales excluding fuel increased 0.5%
- Earnings per share of $0.20
- Adjusted earnings per share of $0.32 compared to $0.27 last year
- Project Sunrise transformation on track

Stellarton, NS – Empire Company Limited ("Empire" or the "Company") (TSX: EMP.A) today announced its financial results for the first quarter ended August 5, 2017. For the quarter, the Company recorded adjusted net earnings, net of non-controlling interest, of $87.5 million ($0.32 per diluted share) compared to $73.6 million ($0.27 per diluted share) in the first quarter last year, an 18.9% increase.

"We are encouraged by our first quarter results. Stabilizing margins, good cost control, and an increase in same-store sales combined with our important transformational work of Project Sunrise gives us a level of optimism not seen in the business for some time," said Michael Medline, President and CEO, Empire Company Limited. "Having said that, we must continue the heavy lifting of Project Sunrise, while beginning to make important strides in our brand and customer experience. We still have a lot of work ahead of us to thrill our customers and improve our bottom line."

In the fourth quarter of fiscal 2017, the Company launched Project Sunrise, a comprehensive three year transformation intended to simplify organizational structures and reduce costs. The transformation is expected to result in approximately $500 million in annualized cost savings by fiscal 2020 that will allow the Company to grow its earnings and re-invest in the business, growing both its sales and earnings. In total, the Company expects to incur approximately $200 million in one-time costs associated with severance, relocation, consulting and minor system developments, most of which is expected to be incurred in the first half of fiscal 2018. Please see the "Overview of the Business" section of the Company's Management's Discussion and Analysis ("MD&A") for further information.

Dividend Declaration

The Board of Directors declared a quarterly dividend of $0.1050 per share on both the Non-Voting Class A shares and the Class B common shares that will be payable on October 31, 2017 to shareholders of record on October 13, 2017. These dividends are eligible dividends as defined for the purposes of the Income Tax Act (Canada) and applicable provincial legislation.

OPERATING RESULTS

($ in millions, except per share amounts)	13 Weeks Ended August 5, 2017	13 Weeks Ended August 6, 2016	($) Change
Sales	**$ 6,273.2**	$ 6,186.6	$ 86.6
Gross profit [1]	**1,531.0**	1,490.8	40.2
EBITDA [1]	**238.8**	238.3	0.5
Adjusted EBITDA [1]	**278.8**	243.1	35.7
Operating income	**125.2**	126.6	(1.4)
Finance costs, net	**28.7**	31.2	(2.5)
Income tax expense	**30.1**	17.8	12.3
Net earnings [2]	**54.0**	65.4	(11.4)
Adjusted net earnings [2][3]	**87.5**	73.6	13.9
EPS (fully diluted) [2][3]	**$ 0.20**	$ 0.24	$ (0.04)
Adjusted EPS (fully diluted) [2][3]	**$ 0.32**	$ 0.27	$ 0.05
Diluted weighted average number of shares outstanding (in millions)	**271.6**	271.7	

	13 Weeks Ended August 5, 2017	13 Weeks Ended August 6, 2016
Same-store sales [1] growth (decline)	**0.5%**	(1.8)%
Same-store sales growth (decline), excluding fuel	**0.5%**	(1.2)%
Effective income tax rate	**31.2%**	18.7%

(1) See "Non-GAAP Financial Measures" section of this news release.
(2) Net of non-controlling interest.
(3) Earnings per share ("EPS").

Sales

Sales for the first quarter increased by 1.4%, as same-store sales were higher in most areas of the country, driven by increases in traffic, basket size and more disciplined pricing strategies. Food inflation was positive for the quarter, which also had a positive effect on sales.

Gross Profit

The increase in gross profit during the first quarter was a result of an increase in same-store sales, combined with improved store execution and promotional strategies, and a continued focus on stabilizing margin rates. This was reflected in gross margins that increased from 24.1% to 24.4%.

EBITDA

EBITDA increased in the first quarter of fiscal 2018 mainly as a result of the previously mentioned factors affecting sales, partially offset by increases in selling and administrative expenses largely as a result of $40.0 million in one-time Project Sunrise costs. Excluding the effects of these costs, adjusted EBITDA increased by 14.6% to $278.8 million.

($ in millions)	13 Weeks Ended August 5, 2017	13 Weeks Ended August 6, 2016
EBITDA	**$ 238.8**	$ 238.3
Adjustments:		
Costs related to Project Sunrise	**40.0**	-
Historical organizational realignment costs	**-**	2.7
Distribution centre restructuring	**-**	2.1
	40.0	4.8
Adjusted EBITDA	**$ 278.8**	$ 243.1

Income Taxes

The effective income tax rate for the quarter of 31.2% was affected by an adjustment to deferred taxes related to the flow-through effects to the Company of the completion by Crombie Real Estate Investment Trust ("Crombie REIT") of a tax reorganization. Excluding this adjustment, the effective income tax rate for the quarter would have been 26.2%. In the prior year quarter, the effective income tax rate of 18.7% was lower than the Company's statutory rate as properties were sold to Crombie REIT on a tax deferred basis.

Net Earnings

Consolidated net earnings, net of non-controlling interest, in the first quarter were primarily impacted by the reasons noted in the sales and EBITDA sections.

	13 Weeks Ended	
($ in millions, except per share amounts)	**August 5, 2017**	August 6, 2016
Net earnings [1]	**$ 54.0**	$ 65.4
EPS (fully diluted)	**$ 0.20**	$ 0.24
Adjustments (net of income tax):		
Costs related to Project Sunrise	**28.7**	-
Intangible amortization associated with the Canada Safeway acquisition	**4.8**	4.7
Historical organizational realignment costs	**-**	2.0
Distribution centre restructuring	**-**	1.5
	33.5	8.2
Adjusted net earnings [1]	**$ 87.5**	$ 73.6
Adjusted EPS (fully diluted)	**$ 0.32**	$ 0.27
Diluted weighted average number of shares outstanding (in millions)	**271.6**	271.7

(1) Net of non-controlling interest.

FINANCIAL PERFORMANCE BY SEGMENT

The Company operates and reports on two business segments:

1) **Food retailing**, which consists of wholly-owned subsidiary Sobeys Inc. (“Sobeys”), and

2) **Investments and other operations**, which include investments in Crombie REIT (41.5% equity accounted interest; 40.3% fully diluted) and interests in Genstar.

FOOD RETAILING

The following table presents Sobeys’ contribution to Empire, net of consolidation adjustments, including a purchase price allocation from the privatization of Sobeys.

	13 Weeks Ended		($)
($ in millions)	**August 5, 2017**	August 6, 2016	Change
Sales	**$ 6,273.2**	$ 6,186.6	$ 86.6
Gross profit	**1,531.0**	1,490.8	40.2
EBITDA	**224.9**	223.4	1.5
Adjusted EBITDA	**264.9**	228.2	36.7
Operating income	**111.3**	111.8	(0.5)
Net earnings [1]	**49.7**	56.6	(6.9)
Adjusted net earnings [1]	**83.2**	64.8	18.4

(1) Net of non-controlling interest.

INVESTMENTS AND OTHER OPERATIONS

The table below presents investments and other operations' contribution to Empire's operating income.

($ in millions)	13 Weeks Ended **August 5, 2017**	13 Weeks Ended August 6, 2016	($) Change
Crombie REIT	**$ 8.4**	$ 11.2	$ (2.8)
Real estate partnerships (Genstar)	**4.1**	5.7	(1.6)
Other operations, net of corporate expenses	**1.4**	(2.1)	3.5
	$ 13.9	$ 14.8	$ (0.9)

Crombie REIT's contribution to Empire decreased for the quarter principally due to increased costs related to acquisition activity by Crombie REIT. Genstar's contribution to Empire was lower than last year due to fewer lot sales in the first quarter. These decreases were partially offset by an increase in income from other operations as a result of losses incurred on sales of properties in the prior year.

CONSOLIDATED FINANCIAL CONDITION

($ in millions, except per share and ratio calculations)	**August 5, 2017**	May 6, 2017	August 6, 2016 (1)
Shareholders' equity, net of non-controlling interest	**$ 3,683.5**	$ 3,644.2	$ 3,664.7
Book value per common share (2)	**$ 13.57**	$ 13.41	$ 13.49
Long-term debt, including current portion	**$ 1,818.3**	$ 1,870.8	$ 1,936.9
Funded debt to total capital (2)	**33.0%**	33.9%	34.6%
Net funded debt to net total capital (2)	**30.1%**	31.3%	31.1%
Funded debt to adjusted EBITDA (2)(3)	**2.2x**	2.3x	1.8x
Adjusted EBITDA to interest expense (2)(4)	**8.1x**	7.7x	9.6x
Trailing four-quarter adjusted EBITDA	**$ 832.6**	$ 796.9	$ 1,079.3
Trailing four-quarter interest expense	**$ 102.7**	$ 103.1	$ 112.3
Current assets to current liabilities	**0.9x**	0.9x	0.9x
Total assets	**$ 8,688.8**	$ 8,695.5	$ 8,879.0
Total non-current financial liabilities	**$ 2,455.7**	$ 2,502.1	$ 2,663.8

(1) Amounts have been reclassified to correspond to the current period presentation on the condensed consolidated balance sheets.
(2) See "Non-GAAP Financial Measures" section of this news release.
(3) Calculation uses trailing four-quarter adjusted EBITDA.
(4) Calculation uses trailing four-quarter adjusted EBITDA and interest expense.

Free Cash Flow

Free cash flow (1) is used to measure the change in the Company's cash available for debt repayment, dividend payments and other investing and financing activities.

($ in millions)	13 Weeks Ended **August 5, 2017**	13 Weeks Ended August 6, 2016
Cash flows from operating activities	**$ 175.5**	$ 239.3
Add: proceeds on disposal of property, equipment and investment property	**5.7**	342.6
Less: property, equipment and investment property purchases	**(61.5)**	(126.3)
Free cash flow	**$ 119.7**	$ 455.6

(1) See "Non-GAAP Financial Measures" section of this news release.

The decrease in free cash flow for the 13 weeks ended August 5, 2017 compared to the 13 weeks ended August 6, 2016, was mainly due to the sale leaseback agreement entered into with Crombie REIT in the prior year, combined with decreased cash flows from operating activities, offset by a decrease in capital purchases. From an operating activities perspective, although earnings improved from last year, working capital had a large accounts payable increase in the prior year causing a deviation on a comparable basis.

OTHER SIGNIFICANT ITEM

Minimum Wage Increases

The Company estimates the unmitigated financial impact of the proposed minimum wage increases in Ontario and Alberta could be up to approximately $25 million in fiscal 2018 and $70 million in fiscal 2019. These estimates represent only the wage increase for people in the business earning less than the anticipated new wage rates, and do not assume any changes in the compensation of other wage bands.

The Company has developed plans to mitigate the immediate impact of the proposed minimum wage increases in fiscal 2018 that are above and beyond the anticipated Project Sunrise savings and continues to develop further plans to mitigate the proposed minimum wage increase in fiscal 2019.

FORWARD-LOOKING INFORMATION

This document contains forward-looking statements which are presented for the purpose of assisting the reader to contextualize the Company's financial position and understand management's expectations regarding the Company's strategic priorities, objectives and plans. These forward-looking statements may not be appropriate for other purposes. Forward-looking statements are identified by words or phrases such as "anticipates", "expects", "believes", "estimates", "intends", "could", "may", "plans", "predicts", "projects", "will", "would", "foresees" and other similar expressions or the negative of these terms.

These forward-looking statements include, but are not limited to, the following items:

- The Company's expectations regarding the impact of Project Sunrise, including expected cost savings and efficiencies resulting from this transformation initiative, and the expected timing and amount of one-time costs, which could be impacted by several factors, including the time required by the Company to complete the project as well as the factors identified under the heading "Risk Management" in the fiscal 2017 annual MD&A; and

- The Company's expectations regarding the impact of proposed minimum wage increases in Ontario and Alberta, and the Company's ability to mitigate the financial impact of these increases which may be impacted by the Company's mitigation efforts and factors described under the heading "Minimum Wage Increases".

By its nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks, uncertainties and other factors which may cause actual results to differ materially from forward-looking statements made. For more information on risks, uncertainties and assumptions that may impact the Company's forward-looking statements, please refer to the Company's materials filed with the Canadian securities regulatory authorities, including the "Risk Management" section of the Company's Annual Information Form and Annual MD&A.

Although the Company believes the predictions, forecasts, expectations or conclusions reflected in the forward-looking information are reasonable, it can provide no assurance that such matters will prove correct. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating forward-looking information and are cautioned not to place undue reliance on such forward-looking information. The forward-looking information in this document reflects the Company's current expectations and is subject to change. The Company does not undertake to update any forward-looking statements that may be made 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 news release that do not have a standardized meaning under generally accepted accounting principles ("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:

- Same-store sales are sales from stores in the same location in both reporting periods.
- Gross profit is calculated as sales less cost of sales.
- Gross margin is gross profit divided by sales.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA") is calculated as net earnings before finance costs (net of finance income), income tax expense, and depreciation and amortization of intangibles.
- Adjusted EBITDA is EBITDA excluding certain items to better analyze trends in performance. These adjustments result in a truer economic representation on a comparative basis. The Company no longer adjusts for items that are insignificant to current period results or the comparative period.
- Interest expense is calculated as interest expense on financial liabilities measured at amortized cost plus losses on cash flow hedges reclassified from other comprehensive income or loss.
- Adjusted net earnings are net earnings, net of non-controlling interest, excluding certain items to better analyze trends in performance and financial results. These adjustments result in a truer economic representation of the underlying business on a comparative basis. The Company no longer adjusts for items that are insignificant to current period results or the comparative period.
- Free cash flow is calculated as cash flows from operating activities, plus proceeds on disposal of property, equipment and investment property, less property, equipment and investment property purchases.
- Funded debt is all interest bearing debt, which includes bank loans, bankers' acceptances and long-term debt.
- Net funded debt is calculated as funded debt less cash and cash equivalents.
- Total capital is calculated as funded debt plus shareholders' equity, net of non-controlling interest.
- Net total capital is total capital less cash and cash equivalents.
- Funded debt to total capital ratio is funded debt divided by total capital.
- Net funded debt to net total capital ratio is net funded debt divided by net total capital.
- Funded debt to adjusted EBITDA ratio is funded debt divided by trailing four-quarter adjusted EBITDA.
- Adjusted EBITDA to interest expense ratio is trailing four-quarter adjusted EBITDA divided by trailing four-quarter interest expense.
- Book value per common share is shareholders' equity, net of non-controlling interest, divided by total common shares outstanding.

For a more complete description of Empire's non-GAAP terms, please see Empire's MD&A for the fiscal year ended May 6, 2017.

CONFERENCE CALL INFORMATION

The Company will hold an analyst call on Thursday, September 14, 2017 beginning at 8:30 a.m. (Eastern Daylight Time) during which senior management will discuss the Company's financial results for the first quarter of fiscal 2018. To join this conference call, dial (888) 231-8191 outside the Toronto area or (647) 427-7450 from within the Toronto area. To secure a line, please call 10 minutes prior to the conference call; you will be placed on hold until the conference call begins. The media and investing public may access this conference call via a listen mode only. 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 dialing (855) 859-2056 and entering passcode 77932482 until midnight September 21, 2017, or on the Company's website for 90 days following the conference call.

ABOUT EMPIRE

Empire Company Limited (TSX: EMP.A) is a Canadian company headquartered in Stellarton, Nova Scotia. Empire's key businesses are food retailing and related real estate. With approximately $23.9 billion in annualized sales and $8.7 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 125,000 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.

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